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CZECHOSLOVAKIA

Interim CPCZ Rules Published

90EC0194A Prague RUDE PRAVO in Czech
23 Dec 89 p 3

[Interim CPCZ rules approved by the extraordinary CPCZ Congress on 21 December 1989]

[Text] The purpose of the interim rules is to create conditions for a steadfast and uniform course of action by the Czechoslovak Communist Party, its agencies, organizations, and all communists for implementing the action program and planning the regular 18th Congress of the Party. The interim rules are based on the present standing of the Party in society and replace the current CPCZ rules until the time of the 18th Congress.

The Communist Party of Czechoslovakia is a political party which carries out its activities according to its action program, interim rules, and the constitution and laws of the CSSR.

I. Party Members

1. Any adult CSSR citizen, who stands for a democratic socialist society, accepts and is willing to carry out the action program of the party, observe its rules, work in some party organization, and pay membership dues, can become a member of the party.
2. Any basic organization can accept members into the CPCZ, without a period of candidacy, on the basis of a recommendation by at least two party members who have known the candidate for at least 1 year and have been CPCZ members for at least 3 years. The current candidates will be admitted as members into the basic organizations by the end of February 1990.
3. Party members whose membership was revoked or who were unjustly expelled or struck out of the Party after 1968, will become members of basic organizations if they show interest in working in them. They will be issued party membership cards with the date of their original enrollment in the party.
4. All party members have equal standing in the CPCZ. In the spirit of the action program they show initiative in their work for its realization. They participate in internal party actions and political activities. They are entitled to protection by higher party authorities in cases of unsubstantiated political persecution.
5. Every Party member has the possibility of leaving the party on the basis of his own free decision. The membership meeting of the basic organization takes the termination of the membership under advisement. In case a member has demonstrably hurt the party by his actions, his membership can be terminated or he can be expelled from the party also by the district committee and the Central Committee with the approval of the membership meeting.

II. Principles of Procedures, Decisions, Activity, and Management of the Party

1. The CPCZ carries out its activities on the basis of a broad intraparty democracy, the application of which means:

a) the inalienable right of each party member to express entirely freely on the floor of the party his views and suggestions for solving problems and tasks; the higher party authority is obliged to reply immediately, but in 30 days at the latest, to the comments of lower party agencies, organizations, and party members, advise them of procedures and method of solution;

b) freedom to criticize, and self-criticize, every member, party organization, official, and one's own actions; no party member can be beyond control;

c) independent approach of every party agency and organization to the resolution of local tasks and needs in accord with the political line of the party;

d) to accept the resolutions of the party on principle after a broad collective evaluation, control their application, clarify or invalidate those which no longer respond to the situation or needs;

e) democratic elections of all leading party officials from the bottom to the top; every party member can be elected to any party function, regardless of the length of party membership; crucial are their moral character, relationship to the party and socialism, ability to push through party policies and realize them in practice;

f) form party agencies as bodies of elected representatives of basic organizations, which can directly elect their representatives to the district committees of the party; party agencies are accountable for their activities to their constituents, who have the right to propose members and ask for the recall of those who have been derelict in their duties or have been compromised;

g) make certain that communists are fully, objectively, and promptly informed about the work of the party, its agencies and organizations;

h) the possibility of the existence within the CPCZ of a variety of views bound together by the action program and the rules of the party.

Conditions for Decisionmaking

1. The authority to make decisions belongs only to the membership meetings of the basic organizations and elected party officials.

2. The participation of more than half of the members or delegates at party proceedings is necessary for approval of resolutions. Resolutions on all questions including membership questions are adopted on the basis of an absolute majority of votes of those present. The resolutions of higher party agencies are the basis for the work of the lower agencies and organizations which apply them within the conditions of their own activities.

3. Decisions of party agencies and organizations are adopted according to the views of the majority. All viewpoints are taken into account in approving resolutions; the minority, which shares in the implementation of the resolutions, can retain its views and, on the basis of new knowledge, experiences, and needs, request through intra-party means their re-evaluation or appropriate changes in the adopted resolutions.

4. The higher party agency adopts resolutions utilizing the knowledge and experiences of the lower party agencies, organizations, and communists, and it substantiates and clarifies the purpose of the adopted measures; it gives account of its activities to the lower party agencies and organizations.

5. The prerequisite for unity and ability of the party ranks to act is a conscientious discipline of all members which respects the needs of the party and development of socialist society.

Internal Party Elections

1. The method of elections is determined by the appropriate party proceedings. The choice of candidates for party agencies is made with regard to the conditions and possibilities out of a greater number of proposals, the leading functionaries are as a rule elected from several candidates. Elected are those who receive an absolute majority of votes of the members and delegates present.

2. Party agencies, whose members are elected at conferences and congresses, can be supplemented out of elected candidates by co-optation.

3. In choosing and supplementing members of agencies, the social composition of the party organization, the corresponding representation of communists from key enterprises, institutions, agencies and organizations are taken into account. The proposed candidates for party agencies are approved by the basic organization.

Management of the Party

1. The CPCZ is in the sense of Paragraph 14 of the Economic Code a political organization and has legal status as a unit. Individual legal entities are the basic organizations of the CPC and the CPS; municipal and local committees of the CPC and the CPS; district committees of the CPC and the CPS and the central committees.

2. The party and its agencies and organizations develop their activities based on their own resources which are made up of membership dues and other earnings. They can, in accord with the law, carry out or participate in economic enterprise for the purpose of gaining financial means for their activities. They take care to use them to good purpose and efficiently.

3. The rate of membership dues and the necessary part of their share for covering the expenses of party organizations are determined by the CPCZ Congress. The membership meeting of a basic organization has the right to lower the rate of membership dues in individual, demonstrably hardship cases.

4. Party agencies, organizations, and through them all party members, are regularly informed about the property and financial situation, the formation and use of assets of the party, on which they can express their views at party sessions.

III. Structure of the Party

Basic Organizations

1. Basic organizations are the key components of the party. Their main task is to ensure that all party members share actively in the realization of the action program and win people over to the policy of the party.

2. Party members join together in basic organizations wherever there are more than five party members. The establishment of a basic organization is reported to the district party committee, which continually helps to develop the activity of the basic organization and cooperates operationally with it in solving problems.

3. When the membership of the basic organization falls below five, the basic organization itself decides about members joining other basic organizations or creating a cell, and it advises the district committee of its decision.

4. The highest authority of the basic organization is the membership meeting which meets according to need. It elects a chairman, a committee of the basic organization, delegates to the conference, and one to three members to control management. It makes decisions on all membership questions, including discipline. In the interim between membership meetings activities of the basic organization are directed by the committee in accord with the resolutions of the membership meeting.

5. Basic organizations may be divided into component organizations, party groups, or possibly into action cells. At the head of the action cells are trustees who are approved by the basic organization committee. The cell trustees maintain a constant contact between the committee and members of the basic organization, organize communists' activities, ensure their participation at membership meetings and the collection of membership dues.

6. CPCZ members may form clubs of communists according to professions and interests (journalists, artists, etc.). District party committees may accord to the communists' clubs the rights of a basic organization. Party members who belong to clubs that do not have those rights remain members of basic organizations, where they are kept on record and pay membership dues.

Local Organizations

1. All basic organizations according to their territorial range (townships, districts, municipalities) may be combined in local organizations. A local organization may comprise only a single basic organization in smaller towns and in villages. Local organizations can be divided according to wards, streets and housing blocks, taking into account usefulness and potential for meetings. Local organizations are built with internal subdivisions according to electoral districts.

2. The highest authority of the local organization is the plenary meeting or conference of delegates. They elect the committee (board) and the chairman. An elected body of the local organization composed of representatives of the basic organizations coordinates their activities and organizes joint political actions.

District Party Organizations

1. A district organization is composed of all party organizations in the district. The highest authority is the district conference, and in the intervening time between conferences, the district party committee. CPCZ action committees may be elected to direct party work for regular conferences.

2. District party committees evaluate the political situation within the range of their activity, and, in accord with the party line and in cooperation with the basic organizations, make decisions on political question in their district. They direct lower party agencies and basic organizations mainly by personal contact, they help them in implementing the CPCZ action program and in solving problems. According to need, they establish auxiliary acts to coordinate the party influence in the district.

Highest Authorities of the Party

1. The highest authority of the CPCZ is the congress. It approves the program and statutes of the party. It determines the political line, strategy, and tactics of the party. It elects the Central Committee, chairman, first secretary of the CPCZ Central Committee, chairman and members of the Central Control and Audit Commission, and the editorial board of RUDE PRAVO. Delegates to the congress are elected by district conferences from among delegates elected by basic organizations, according to a key determined by the Central Committee.

2. The Central Committee works out and ensures the implementation of the congress line. It directs and coordinates all political and organizational activities of the party. From among its members it elects the political action committee and secretaries. The political action committee elects an organizational secretariat to direct routine work and the apparatus. It is accountable for its work to the congress and regularly informs the membership base about its work.

3. The Central Committee has the right to recall in case of loss of confidence the chairman, first secretary, or member of the CPCZ Central Committee, and elect another person to take their place. This right in respect to their members is also held by the Central Control and Audit Commission and the editorial board of RUDE PRAVO.

4. The CPCZ Central Control and Audit Commission controls and audits the management of all party agencies, organizations, institutions and facilities of the party. It ensures adherence to the principles and rules of party life. In member affairs, it decides about recalling party members. It is accountable for its activities to the party congress. Same tasks are performed by the CPCZ Central Control and Audit Commissions at the lower levels of the party structure.

5. The relationship between the CPCZ Control and Audit Commissions and party agencies are based on mutual cooperation in fulfilling the political tasks of the party. The party agencies control the implementation of their resolutions, in which they are helped by the CPCZ Control and Audit Commissions.

6. If fundamental differences in implementing policies adopted by the congress occur among the officials elected by the congress, and joint discussions do not lead to agreement, an extraordinary congress must be convened. An extraordinary congress is convened by the Central Committee, if two-thirds of Central Committee members present vote in favor of it.

Other Provisions

1. An extraordinary territorial or statewide conference to resolve current political questions of party policy may be convened, in case of urgent need, by a higher party authority on its own initiative or on the basis of a request by basic organizations comprising at least one-third of party membership.

2. To assist them in fulfilling their political and organizational tasks party agencies create the essential apparatus, which does not have the authority to make decisions and must not replace elected officials.

3. Party agencies work with a voluntary aktiv, in which they involve active and uncompromised communists and honest citizens who wish to assist in implementing party policies. They consult with them about planned resolutions. They make use of their experiences, suggestions, and knowledge in their work.

Spokesman Queried on Church's View

90EC0190A Prague RUDE PRAVO in Czech
24 Dec 89 p 2

[Interview with Deacon Vladimir Rudolf by Kamila Jaskova: "Determining Competence and Character"; date and place not given; first paragraph is RUDE PRAVO introduction]

[Text] Among the participants in the first dialogue recently realized within the framework of the National Front were representatives of churches. We asked one of them, deacon of the Roman Catholic Church in Prague 4-Lhotka, Vladimir Rudolf, who is also the press spokesman for the Prague Archdiocese, to talk with us.

[RUDE PRAVO] Deacon Rudolf, how do you view the role of the National Front?

[Rudolf] We are living in turbulent times, when we must hear out many grievances and many justified complaints based on past deformations. We shall have to reflect on matters together, search for new ways, and it is possible that for many the way of the National Front will not be viable. But even so I am convinced that when things calm down, when all structures are functioning normally, eventually a place will be sought anyway where all people who strive for progress could meet, where they could exchange views, where they could search for what is best for society.

I believe that we can find support for what I said here in the pastoral letter "On the Church in Today's World." It says: "Secular duties and activities are in fact, even though not exclusively, affairs of the laymen. Therefore when they act, whether as individuals or jointly as citizens of the world, they will not only observe the laws inherent in any field, but they will also endeavor to attain true proficiency in those fields. They will gladly cooperate with people who pursue the same goals."

[RUDE PRAVO] In your opinion, what should be the role of the Roman Catholic Church here at the present time?

[Rudolf] First of all, I would again answer in words of the pastoral letter: "Laymen are to expect from the priests illumination and spiritual guidance. But they should not think that their pastors are always such experts that when some problem arises, even a difficult one, they immediately have a ready concrete solution, or that that is precisely what their mission is. Rather, let the laymen themselves, enlightened by Christian wisdom, assume their own responsibility."

To my mind, the effort of the Church should be aimed at achieving a reconciliation in our society, so that after the catharsis, without which reconciliation is not possible, all people would work on a common task.

After all, the quoted document says on this point: "Respect and love must be extended also to those who in matters social, political or even religious think and act differently than we do: the deeper, in fact, we penetrate by humaneness and love into their way of thinking, the easier it will be to start a dialogue with them."

I would add that after these many years, when we were forgetting to educate, we shall have our hands full to correct the mistakes; to help man become more principled, more truthful, more just. That is the task of the

Church at this moment, and I firmly believe that it will fulfill it according to its best ideas and to the best of its ability.

[RUDE PRAVO] In your opinion, what will be the position of the Church on the next elections to the representative assemblies?

[Rudolf] As far as the near future is concerned, when free elections will be under consideration, the deciding issue will be the candidates. A Christian, a Catholic, as the quoted document told us, is outside of political activity. That means that he will decide freely, only on the basis of honesty, character, education, and ability of the individual candidates. The Church will not tell anyone whether to vote for this or that party. I am firmly convinced of that.

Perhaps some individuals could step out of line here, but definitely not the Church as such. I believe that care will be taken to remain impartial and that only the good qualities and character of the candidates will be decisive. I think that should be true generally. That way, the political process would eventually be cleansed and that would benefit everybody, our entire nation. Without taking this road we cannot arrive at the goal.

[RUDE PRAVO] Thank you for talking with us.

HUNGARY

Elections Spawn Lawsuit, 'Slander,' Slap in Face

Smallholders Warn Grosz

25000558C Budapest NEPSZABADSAG in Hungarian
9 Dec 89 p 4

[Text] Gyorgy D. Balogh, Smallholders Party national managing vice chairman, and Istvan Prepeliczay, national executive secretary, declared that the presidium of the Independent Smallholders, Agricultural Workers, and Bourgeois Party wants to see radical changes, but it is not seeking such changes in radical ways. If in the future Karoly Grosz continues to regard bourgeois transformation as White Terror, and if he has a continued desire to replace the discontinued Workers Guard with a party army, the Smallholders Party will be forced to initiate proceedings against Grosz so that he can account for the present serious economic situation.

SZDSZ Leader Accused

25000558C Budapest NEPSZAVA in Hungarian
15 Dec 89 p 5

[Interview with SZDSZ leader Miklos Tamas Gaspar, by (torok): "I Will Hand Them Over to Posterity's Contempt"; Is the Slander Campaign Beginning?"]

[Text] Our editorial office has received a typed letter from Gyorgy Radnai of Vadasz Street. On behalf of well informed 5th District residents, the letter enumerates

four charges against the well-known 5th District Alliance of Free Democrats [SZDSZ] candidate for representative.

I will present the questions to Miklos Tamas Gaspar in the sequence they were presented by the author of the letter, whose name also appears in the telephone directory.

[NEPSZAVA] Is it true that on 16 July 1979 you arbitrarily took possession of a three-and-a-half-room 5th district apartment with all the conveniences?

[Tamas Gaspar] Not a word of that is true. The apartment belonged to a friend of mine. I registered myself in that apartment when I settled here upon my arrival from Transylvania.

[NEPSZAVA] Is it true that you were not willing to abide by the district council's eviction determination and that you used various legal tricks to impede a family to move in to the apartment they were entitled to?

[Tamas Gaspar] I appealed that determination and my appeal was accepted.

[NEPSZAVA] Is it true that in 1982 your mother, who also resettled from Transylvania, registered in that apartment, and in consideration of her communist, workers movement background she took advantage of help provided by the Hungarian Socialist Workers Party [MSZMP] Central Committee, and made attempts to acquire the illegally occupied apartment?

[Tamas Gaspar] That is also a lie. I first registered my mother on a temporary basis, later she became a co-tenant.

[NEPSZAVA] Is it true that despite popular outrage, the council awarded you the apartment, and that you then sold the apartment and the apartment changed hands for 400,000 forints?

[Tamas Gaspar] That did not take place either, the way you described it. I did not sell the apartment. I exchanged it for a smaller one pursuant to the law.

[NEPSZAVA] Are you surprised by the contents of the letter?

[Tamas Gaspar] It came fully unexpectedly. True, they have been scribbling coarse things on my posters, but thus far there has been no personal mudslinging. As long as Mr Radnai is this curious, it would have been appropriate for him to ask me all these questions. In the future I will not deal with slanderous statements like this. This is the first and last time that I will deal with this. If there are any future mudslingers, I will hand them over to posterity's contempt.

Conflict Within MDF

25000558C Budapest NEPSZABADSAG in Hungarian
13 Dec 89 p 5

[Article by Laszlo Rab: "A Slap in the MDF's Face—Administered by the MDF"]

[Text] That certain slap in the face that this story is all about was administered in Kaposvar, in the entrance hall of the county cultural center on 6 December, not too long after the local Hungarian Democratic Forum [MDF] organization club had adjourned.

Miklos Paksi, who participated in the organization's work as a member of the MDF city presidium, slapped agronomist Karoly Keszericze, also an MDF member, in the face, although Keszericze would probably argue this point because together with architect Tibor Hervai they had published an open letter in the local newspapers in which they consistently professed themselves to be radical MDF members.

True, this late November announcement was responded to by city chairman Gyozo Hodos in SOMOGY-ORSZAG, who stated that a radical group simply does not exist at all. On 1 December the Kaposvar presidium declared the functioning of the Keszericze group unlawful. In contrast, the radical group claims that there can be no doubt about its existence. We must provide this preface because this public strife is part of the ridiculous background.

Peter Szabados, MDF Kaposvar presidium member, regards the slap in the face as a personal conflict between two people, and he would not want this matter to receive more publicity than it deserves. In his view the radicals designated themselves as being clean insiders, and for weeks have been calling attention to themselves by launching attacks against the MSZMP's [Hungarian Socialist Workers Party] democrats. Incidentally, the presidium has three former MSZMP members. (They did not quit this year....) Chairman Hodos and Paksi, who administered the slap, are among them. All this did not bother the radicals at the time the organization was launched—they were also members of the nominating company. But in those days they were not radicals. Szabados believes that Paksi lost his temper, and that his hand moved as a result of the constant irritation and attacks. But the fact is that his hand moved. Thereafter he instantly resigned his membership in the presidium, and asked his fellow members to examine whether he could remain an MDF member. This will be decided by an ethics committee. Similarly, the ethics committee will decide on the various pronouncements of the radicals, which are regarded as arbitrary.

Differences of opinion should have been clarified in the course of the debate, Szabados told this newspaper. The radicals acted contrary to the bylaws; they sought permission from no one before they publicized their letters. They demanded in newspaper articles that the presidium's "former communist" members resign. In my view, their activities were aimed at discrediting the organization. Although a hard hitting presidium was formed in Kaposvar, thus far these gentlemen have done nothing but criticize us. They would have a basis for criticism had they done something to enhance the Forum's business. But for months they have not even come close to the MDF. They came to launch an attack whenever they

showed up. All this, of course, does not excuse Paks. [no quotation marks as published]

The ethics committee investigation began in Kaposvar yesterday. It makes an attempt to clear statements made by Keszericze and Hervai, as well as the consequences of the slap in the face. Quite naturally, this matter is not closed insofar as this newspaper is concerned.

POLAND

POLITYKA Weekly News Roundup

90EP0174A Warsaw POLITYKA in Polish
No 47, 25 Nov 89 p 2

[Excerpts]

National News

The Sejm met for two days. It adopted an amnesty law (290 deputies for, 19 against, 61 abstentions). The amnesty covers about 17,500 individuals who have committed crimes and misdemeanors (out of a total of 56,000 convicted individuals). Among the cases dropped conditionally were criminal proceedings involving sentences of less than 3 years imprisonment, if no final sentence has been handed down; individuals who have committed more serious crimes will have their sentences reduced by one-half for sentences up to 10 years, by one-third for those over 10 years; sentences of 25 years imprisonment are reduced to 15 years, and death sentences, to 25 years. The amnesty did not include those who had committed particularly dangerous crimes (multiple recidivists, murderers, drunken drivers who had caused fatal accidents, group or brutal rapists, robbers, breaking and entering).

The Sejm named Prof Mieczyslaw Tyczka (Poznan University), an SD candidate supported by the Citizens' Parliamentary Committee and the ZSL, president of the Constitutional Tribune.

Deputy Zdzislaw Czarnobilski, a medical doctor from Tarnow, has resigned his membership in the PZPR and as an unaffiliated deputy he will no longer be a member of the PZPR Deputy Club. [passage omitted]

The price of gasoline has again gone up by another 100 zloty for 94 octane. The price of bread leaped up by about 12 percent in Warsaw, and the price of a loaf (850 zloty) is approaching the highest in Poland (Lodz, 1,000 zloty). In GAZETA WYBORCZA, an announcement (in the headline): "Gasoline, if all goes according to plan, . . . will improve in six years."

Mieczyslaw F. Rakowski, first secretary of the PZPR Central Committee, met with a group of party veterans. The participants were: Jerzy Albrecht, Aleksander Bur-ski, Mieczyslaw Jagielski, Stefan Jedrychowski, Jozef Kepa, Ignacy Loga-Sowinski, Norbert Michta, Jan Mitrega, Lucjan Motyka, Jozef Olszewski, Jozef

Pinkowski, Jan Ptasinski, Wlodzimierz Reczek, Franciszek Szlachcic, Eugeniusz Szyr, Jozef Tejchma, Stanislaw Trepczynski, Andrzej Werblan, Kazimierz Witaszewski, Janusz Zarzycki, and Stefan Zolkiewski.

The officers of the Association of Home Army Soldiers are demanding an end to the operations of the Union of Fighters for Freedom and Democracy and the dissolution of the organization. It is dominated by former workers of the security services and militia units.

Representatives of the scientific community in Poznan, Warsaw, Krakow are reactivating the Polish Academy of Sciences and Letters; the headquarters is to be in Krakow. The recommendation will be presented to the president for his acceptance.

The Fund to Support Social and Economic Initiatives of the T. Mazowiecki government has surpassed 500 million zloty and \$250,000 by 14 November 1989. (A recent survey by the Public Opinion Research Center showed that 42.4 percent of the respondents are prepared to make contributions to the "Mazowiecki fund," but as many, 42.9 percent, said no because they could not afford to give.

The Politburo of the PZPR Central Committee supported the government's appeal for increased production of coal and asked the party members in the power and mining industries for help in this matter. The Politburo recalled that in the past Solidarity units have taken actions forcing a decline in coal production. "Attempts to put responsibility for the current situation on those who have made constant efforts to maintain an unchanged level of coal production must at the very least seem strange. An example of such a position is the recent declaration of the Presidium of the National Mining Commission of NSZZ Solidarity, which blames the management personnel in mining for the decline in coal production." [passage omitted]

The board of the Federation of Plant Organization of the Union of State Forestry Workers has adopted a resolution to withdraw from the OPZZ. [passage omitted]

The Marriott Hotel in Warsaw held a charity ball (for the medical center for children and young people). A ticket cost 200,000 zloty for an evening (from an interview with Teresita Aguilar, wife of the general manager) of "fun to music of the Warsaw Big-Band and a dinner prepared by our kitchen, with hors-d'oeuvre, sea food, hot dishes, deserts, wine and champagne. It will also be possible to spend the night in the hotel. In that case, the cost of the dinner and single room will be 1,2 million zloty and a double room will cost 200,000 zloty more."

The Polish Savings Bank has raised the interest rates for time deposits and loans. The highest rates, respectively, are 171 percent for 3-year deposits and 175 percent for cash loans to physical persons. [passage omitted]

The students of the Jagiellonian University protested against the suspension of four students for occupying the

Military Studies building by the university. Those occupying the building since 9 November 1989 announced they will leave it only after the ending of military studies at higher schools. [passage omitted]

Slawomir Tabkowski, president of Prasa-Ksiazka-Ruch Worker's Cooperative Publishing House, announced in an interview with GAZETA WYBORCZA that among the publications under the control of the PZPR Central Committee other than TRYBUNA LUDU only the monthly NOWE DROGI remains unchanged; in the place of the other seven titles, however, two new ones will be formed by combining the titles. One of them will be the internal bulletin. In an act of unusual tact, GAZETA WYBORCZA titled the interview "We are not returning to Poland anything of ours." [passage omitted]

KAMENA, a Lublin journal founded by Kazimierz A. Jaworski in Chelm in 1933 which has done much for Polish culture and which was liquidated a year ago, has returned to the newsstand, now under the editorship of Ireneusz J. Kaminski. There are a number of interesting texts associated with the region. ODRODZENIE has bid its readers good-bye: "It fell the first of many to fall," writes Teresa Krzemien the editor in her farewell. (She was chosen to edit the magazine on the death of Jerzy Grzybaczak, its editor in chief of many years, who had made ODRODZENIE interesting.) It turns out, however, a new magazine SZANSE will take the place of the liquidated one. "Thus, although we have said farewell, greetings," the editors say.

This year, 20 private or non-state schools were opened. The majority are secondary schools (12). About 1,000 pupils are attending them. Tuition ranges from 40,000 to 100,000 zloty. [passage omitted]

On the Left

In the GDR, there is a new coalition government. Hans Modrow (age 61) is the new premier. It has been revealed that Erich Honecker gave the order to use arms against the demonstrators in Leipzig on the anniversary of the formation of the GDR. Egon Krenz forced the withdrawal of the order. West German television transmitted the session of the People's Chamber, and GDR journalists have begun participating in Presse Club, the most popular current-affairs program in the FRG. The GDR television program will soon be included in West German cable television. The Red Cross in the GDR has reported that it is prepared for the return of 10,000 "former citizens of the GDR."

In Bulgaria, there were many more personnel changes in the party and the government, and the political situation has grown more tense. There were demonstrations in front of the Central Committee offices and in the center of Sofia calling for free elections. The first reactions of the independent movements have been carefully optimistic. In commenting on the personnel changes among party officials, a spokesman for the Glasnost and Perestroika Support Club, Koprinka Chervenкова called them a sign of "the necessary beginning": "The upper

level has been removed, but the party must still rid itself of a large portion of its personnel, if it wants to have an important position in society." The spokesman for Ekoglasnost Georgi Avramov: "The most conservative forces have been eliminated." [passage omitted]

Semion Gross, first secretary of the Moldavian Communist Party Central Committee since 1980, has resigned. His departure was demanded, in particular, by the Moldavian People's Front, which accused him of conservatism, a dislike of informal movements, systematic russification of Moldavia, and an inability to resolve social conflicts. Piotr Luchynski (age 49), until now second secretary of the Tadzhikistan Communist Party Central Committee, who is from Moldavia, is the new secretary.

The meeting of the Politburo of the CPSU Central Committee in which all the members of the Politburo of the Lithuanian Communist Party participated lasted eight and a half hours. Lithuanian radio reported that they had not changed their position on the need for an independent republic organization. [passage omitted]

Barbel Bohley, the well-known opposition representative of the GDR New Forum in response to a question in an interview for LE FIGARO whether 40 years of communism had given the GDR its own identity: "There is an identity which has nothing to do with communism or socialism. But with Thuringia, Mecklenburg, a style of life. If we unify, our identity would be threatened. We must find other values besides pure profit. In this little country, we have a chance to retain and improve our accomplishments. I say that the FRG is a society based on exploitation. And moreover, the authorities of the FRG are exploiting the GDR in an ideological and spiritual sense. Their way of supporting us, of saying that we are brothers and sisters is beautiful. That is a lie. In the end, it is the FRG that needs us, in order to confirm its conviction that it is the better part of Germany: they remind me of an aunt from West Berlin with sacks of oranges. And they leave that same evening having consoled their conscience."

Prof Jeffrey Sachs of Harvard University presented a plan to combat inflation in Belgrade. He has developed a similar one for Poland. "Everything the professor said, we also know," wrote BORBA in commenting on the arrival of the "mad knight from Harvard, who fights inflation around the world just as his predecessors saved the cities from snakes and dragons." But "it sounds different and more convincing when someone with prestige and from the outside says it." [passage omitted]

The American company General Electric has bought a controlling interest in the Hungarian firm Tungsram. The transaction for \$150 million is the largest Western investment in the socialist countries. [passage omitted]

On the second anniversary of the suppressed worker demonstration in Brasov demonstrators placed a sign in front of the Soviet embassy in Moscow: "Pinochet

resigned, what about you Ceausescu?" (The militia intervened.) In Prague: "Ceausescu, you make Stalin happy." (The militia confiscated the sign.) In Berlin: "Dethrone Stalinism, give honor to the people." (There was no intervention.) In Budapest, candles were lit in many places, and activists of "Romania libera" began an 8-day hunger strike.

Opinions

[Passage omitted]

Andrzej K. Wroblewski:

(ODRODZENIE 18 November 1989)

"The current situation of people and families who are poor is in a sense a result of a faulty choice: they did not go to school, they did not care for their health, and as a result they are condemned to being helped.

But by focusing our attention only on helping them, we are perpetuating their condition of, I do not hesitate to use this word, thoughtlessness, and we are producing the next group, thousands, perhaps hundreds of thousands of Poles, who will expect that the state, Caritas, the church or Minister Kuron will provide them with supplements.

Whoever has tried to find someone to work as an unskilled laborer, for example, for scraping a wall, whoever has attempted to have sheets mended, knows that there is a shortage of workers. There is much work in Poland, which can pay if one wants with one's own hands to help oneself without waiting for supplements. Not everyone surely who is poor can work, but certainly many people can."

Bishop Alojzy Orszulik, director of the Episcopate Press Office:

(Interviewed by Wieslaw Walendziak, MLODA POLSKA 28 November 1989)

[Orszulik] The formation of a political party with a Christian ideology was a natural reflection of reality in Poland. In that reality, Catholicism is a dominant force. I think that Catholics cannot resign from the right or the ambition of forming a political party based on Christian values and the social teachings of the Church.

Wladyslaw Sila-Nowicki, leader of the Labor Party:

(Interviewed by Jacek Strzemzalski, KULTURA 8 November 1989)

[Question] You lost the election to Jacek Kuron; Premier Mazowiecki saw no place in his cabinet for a representative of the Labor Party. What social resonance can the activities of your party expect?

[Answer] People will take note of the Labor Party when we strengthen our own structures. The make-up of the government is always difficult to foresee. The paths of Tadeusz Mazowiecki and myself were connected for a

time, but we have very different life histories. I could expect obviously that the premier would not pass over me completely, but, frankly speaking, I am not surprised. That does not change the fact that I understand the difficult situation facing Tadeusz Mazowiecki. I desire also to note that I support his government although my party is not a part of the coalition, but this not the first time that Tadeusz Mazowiecki has been closer to the PZPR than I.

Colonel Piotr Pawluczuk and Colonel Wladyslaw Szweczyk of the Central Engineering Board of the Ministry of Foreign Economic Cooperation:

(Interviewed by Wlodzimierz Kalicki, GAZETA WYBORCZA 10-12 November 1989)

[Question] What are the current dimensions of free military help?

[Answer] During 1986-89 on the basis of decisions or resolutions of the Presidium of the government, we completed free shipments of military equipment to Kampuchea, South Yemen, Mozambique, Nicaragua, and to SWAPO in Namibia. We sent only equipment and materials from reserves of the Ministry of National Defense or the Ministry of Internal Affairs, after repairs from so-called outdated models. Among them were mortars, firearms and ammunition, grenade throwers, hand grenades, dried foods, uniforms, medicines and bandages. The value of these shipments ranges from 0.153 percent in 1986 to 0.145 percent in 1988 of the total value of the exports of the Polish arms industry.

Jan Ryszard Kuryleczyk, first secretary of the Slupsk PZPR Voivodship Committee:

(Interviewed by Ryszard Socha, WYBRZEZE 5 November 1989)

[Question] To be sure, you do not expect a breakup, but it is not possible to rule it out completely. On which side do you see the greatest threat?

[Answer] From the trade unions, i.e., the OPZZ. It suffices to declare that the PZPR does not represent the interests of the working class, that only the OPZZ represents the workers' interests, and the union can transform itself into a political party. Ripping away in this way a hunk of the base which should belong in the new Polish leftist movement. To be sure, at the recent plenum Miodowicz distanced himself from such suspicions, but the danger exists.

YUGOSLAVIA

Leader of Croatian Social-Liberal Alliance Interviewed

90EB0143A Split NEDELJNA DALMACIJA in Serbo-Croatian 29 Oct 89 pp 5-6

[Interview with Slavko Goldstein, chairman of the Croatian Social-Liberal Alliance (HSLA), by Josip Jovic: "Democracy Is Security"; date and place not given]

[Text] When a newspaperman wants to do an interview with an official politician, as a rule he must first break through at least two barriers: the first is the secretary, and the second is the head of his office staff, and then the process continues of discussion, negotiation, questions in advance, the interview, and subsequent authorization. As a rule, all of that takes from 10 to 15 days. With the political alternativists, all that is done in two hours. The difference is that the former possess power not threatened by anything (?), while the latter are fighting as best they can for public exposure, aware that they can build their political legitimacy only on and from the public.

One of the most distinguished protagonists of the political alternative in Croatia is certainly Slavko Goldstein, chairman of the Council of the Croatian Social-Liberal Alliance [HSLA], which will keep the same name even when and if it becomes a party. The fundamental commitments of this alliance are well-known to the public: briefly, they are political and economic liberalism and full protection of individual, civil, and ethnic rights and interests. We asked the subject of our interview how their program came about, what gave birth to it, and what influenced it?

Back to the Basics

"The program is the result of work by five or six people. They were, so that I do not forget anyone, Bozo Kovacevic, Zvonko Lerotic, Vlado Gotovac, Franjo Zenko, Danijel Ivin, and myself. Although quite a few people worked on it, I think that we arrived at a consistent, integral, and concise programmatic declaration. Our main point of departure was dissatisfaction with the rule of the one-party system, and a clear awareness that no further progress can be accomplished with it. We have not engaged in criticism of that system. Its weaknesses are evident, and we take note of them in one introductory sentence and then move on to the idea of renewal of society in the direction of the proven values of western European liberalism and social-democracy. The name of our alliance reflects the merger of those two values: social and liberal."

[NEDELJNA DALMACIJA (ND)] Your critics have noted that you are going back to something which has long ago been abandoned and superseded in the progressive and civilized Western world.

[Goldstein] We recently had the celebration of the 200th anniversary of the French Revolution, and when we read the Declaration on Human and Civil Rights from that time we see that unfortunately a good portion of that has still not been realized in our country. We recently had the drive to restore the monument of Ban Jelacic, and I read demands which he formulated in 1848, and even that has not been altogether realized even today. We find in it quite a few democratic ideas that were very progressive even for our time, not just for that time. Anyway, it is sad to look at all those declarations from the last century and to note that in many respects we have fallen short of that. It is true that in social reforms our society

has gone considerably further than the demands of the past century, but certain fundamental political rights have remained unfulfilled.

[ND] It is now seven and one half months since the first meeting of your alliance. What has been achieved from the organizational standpoint over that time?

[Goldstein] Not really very much. Our organization is still designed for a group of about 300 people, which is how many we were at the founding assembly in May. We now have 3,000 members, but the circle of our sympathizers and those who would like to become members is several times greater than that. We must adapt the organization to that fact. It is our good fortune that we have quite a few able young people, our members, who want to take part in this. We have held several initial meetings for establishment of our chapters in Zagreb and outside Zagreb (Dubrovnik, Velika Gorica, Kucici, etc.). This very day we received from Freiburg 290 signatures for Ban Jelacic, accompanied by the desire that we send applications so that they could become members. Why did we not have more chapters already and why have we not kept up with the interest in membership? Simply because we are not registered and several times we have been told by various departments in the Secretariat for Internal Affairs that we are still not legal and cannot obtain space nor hold meetings.

[ND] But you are the only political grouping in Croatia which has received a favorable opinion from the SAWP [Socialist Alliance of Working People], in which you wish to operate, and that is a condition for you to register as a public organization.

[Goldstein] Yes, we now have all the separate documents. This very day we had a talk with the republic secretary for administration and jurisprudence, it seems that there will no longer be any obstacle to registration, at least not difficult obstacles.

The LC Is Disintegrating

[ND] You waited quite some time to obtain a favorable opinion from the Council for Public Organizations and Civic Associations of the Croatian Republic Conference of the SAWP, which indicates that there was quite a bit of hesitation there before the final position was taken.

[Goldstein] Yes, it took about six months, although they were required to issue an opinion in three months. The delay obviously occurred because of hesitation and internal discussions. But the opinion which we have is unambiguously favorable. It simply has an additional substantiation in which they warn us that we must not allow a strengthening of nationalism and the like.

[ND] It seems to me that the process of transformation of views concerning political pluralism can be noted even within our ranks. Only now are you openly advocating a multiparty system.

[Goldstein] No, I think that that is not altogether accurate. In the programmatic declaration, we have been committed to the multiparty system from the beginning, not as a political objective in and of itself, but as a way of arriving at better administration of public and government affairs. We have always said that we want to operate within the framework of laws and regulations. We are not a political party, since the law does not allow us that, so we want to operate within the framework of the SAWP. Your observation is correct only in that today everyone in society, including us, is posing an increasingly emphatic demand for a multiparty political system, since everyday experience, both our own and that in the world, indicates to us that one-party systems are rapidly collapsing. From month to month, we have had new contributions to that experience. Since our programmatic declaration which we adopted in March, there has been the transition to the multiparty system in Poland, Hungary is also on the threshold of that transition, in East Germany the one party in power has collapsed, and so on.

[ND] Is it your objective, then, to fight for power?

[Goldstein] The purpose of an opposition political party is to offer healthy competition to the party in power, and that in turn presupposes an election campaign, elections, discussions in the parliament, and formation of a government on the basis of the majority. Why not?!

[ND] If you were to emerge on the political market tomorrow, what chances would you have against the other political groups?

[Goldstein] There are no reliable forecasts. In a true democratic climate such as there is, say, in Denmark or the Netherlands, including a campaign that lasts several months, equal access to the media, and free public expression, we would probably be rather strong. Perhaps we would not be the strongest, but it is certain that we would not be the weakest either. But I must take note of something at this point: We do not regard this possible political competition as in our own interest, but above all in the interest of Croatia and Yugoslavia. Many such things would begin to happen all at once, people would begin to believe that something can change, that their will can be freely expressed, that the people can choose programs and the government which it wishes, and which in turn it can replace in the next elections. I say that that would give people in the country and those abroad confidence in our country, in our system, it is well-known that we have many people outside who are ready to invest in our country, but they do not do so, since they are uncertain. And democracy means above all security, that is, I like to quote Karl Popev, who says that democracy means change of government without bloodshed. There is no progress without changing the government, nor is there any progress when there is bloodshed. It is our immediate objective to create conditions in which the people's choice will come to power and do so without upheaval, discord, and reprisals such as occur when one party wants to preserve power at any

price. We are witnesses of precisely such a situation. Yugoslavia's crisis is a consequence of the crisis of the LC [League of Communists]. It is not Yugoslavia that is disintegrating, the LC is disintegrating. They are in power, so it is logical that their disintegration should be perceived as the disintegration of the entire country. The LC is no longer one party, and its illness is the best evidence that the one-party system simply cannot survive. This situation stymies people completely. Democracy, on the other hand, awakens confidence that things can change and that power can go to those who are more able, better organized, those who have better programs. Our program would be one of the most popular.

Democracy Above All

[ND] Whom are you counting on as your potential voters? It seems to me that you might count more on the entrepreneurial stratum, the intellectuals, and even the peasants more than on the conventional working class.

[Goldstein] That question is difficult to answer. I believe that we have quite a few sympathizers even in the League of Communists. Your forecast does not open up very bright prospects for me. The entrepreneurial stratum is a very small constituency, the peasants are passive, and we have not really been able to get through to them either, and the intellectuals have diverse commitments. As for the workers, it is true that many of them resist the reforms, that some of the workers are accustomed to the printing of money and government rescue, but I am certain that our economic program of an "open economy," which envisages full freedom of economic activity, would be accepted by a sizable portion of the workers and citizens in general.

[ND] Beyond that, I judge that Croats would tend to vote for you more than members of other nationalities. Incidentally, this is also related to the danger of Croatian nationalism, which is associated with your program.

[Goldstein] We first should see what nationalism is, since everything is arbitrarily being included under that name. But nationalism, which is love for one's people, when it involves disrespect or even hatred toward others is a real danger. We are often inclined to accuse someone else because of our own shortcomings, especially during a crisis. But, knowing the people who are in the leadership of our alliance, it seems to me that we all, at least a majority, are aware of that danger and that we are capable of resisting it. What is more, we have not only Croats, but also Serbs, Jews, Muslims, Montenegrins, and others. But regardless of ethnic background, we belong to Croatia as our homeland, and our point of departure is that Croatia must have its own program that will be the basis for building the joint Yugoslav program, without neglecting the interests of others. It has been demonstrated that building any kind of "Yugoslav synthesis" from above is an illusory affair. I would also say this: Had we had a multiparty system, I think that we would not have experienced the kind of interrepublic and interethnic disputes we have had.

[ND] Do you feel a need to reinterpret the Croatian "mass movement"?

[Goldstein] No, we don't. Why?

[ND] One reason I put the previous question was that Vlado Gotovac and Drzen Budisa are on your Council, people who were politically "compromised" and drastically punished at that time.

[Goldstein] The term "compromised" is altogether mistaken. I really do not know who was more compromised: Gotovac, an innocent man who spent so many years in prison, or those who sent him there. There were people in the mass movement who had a different way of thinking, but without political democracy they were unable to commit themselves to anything else. This can best be seen today when individuals from that movement have joined us, some have gone to the HDZ [Croatian Democratic Community], some to the LC, I think only that no one has gone into the UJDI [Association for a Yugoslav Democratic Initiative]. I know that among them there are people for whom Croatia is in first place and democracy only after that, but they are all agreed that without democracy there can be no healthy Croatia nor Yugoslavia.

We Are Proposing a Constitution

[ND] One of your initiators and sources of ideas, Dr. Zvonko Lerotic, resigned from the position of chairman of the Executive Committee. Why?

[Goldstein] That is something he should tell you. He justified that act by saying that "he did not want to spoil the unanimity." Aside from him, another five have resigned from as members of the Council or Executive Committee (Dafinka Vecerina, Dr. Darko Bekic, Goranko Fizulic, Dubravko Buljan, and Pavle Radic), but none of them has left the alliance. They still intend to be active. I think it is a question here only of differing views of tactics and organization of the effort. And by "differing" I mean pretty much a more cautious approach to the public. It is important to mention that there have been no quarrels nor "differentiations." Anyone, including me, can end up in the minority. This indeed demonstrates our desire to practice democracy.

[ND] One of your more notable actions has been the initiative to restore the monuments of Ban Jelacic. What were your motives in initiating that?

[Goldstein] I was not personally the initiator, but I joined in very gladly. My motives are very simple. The powers that be must show their good intentions by admitting and correcting their own mistakes. These are symbolic, small things which do not cost anything, but they could be useful. They could create a climate of encouragement and optimism that now finally it is possible to correct mistakes. This is the road out of lethargy, desperation, and the belief that there is no hope. It is for the same reasons that I also favor revival of "Matica Hrvatska" and "Prosvjeta."

[ND] Have you had any other initiatives which did not, however, awaken that kind of interest of the public?

[Goldstein] Our people have made certain proposals of their own for amending laws, concerning elections, civic associations, and internal affairs. We issued a demand to establish accountability for the disaster in Pojatno and for replacement of not only those who were directly responsible, but also those who held responsible positions. The people in the railroad transportation enterprise said that the director was not responsible. When there was a flood in Zagreb, we were the first to organize assistance to people. Some people in the SAWP accepted our help, but some on the other hand said that they did not need our help.

[ND] One of the very important political issues facing us is the amendments to the republic Constitution and the federal Constitution. Does the HSLS want to be involved in some way in the phase of preparations and the public discussions?

[Goldstein] Certainly. We are right now creating a working body of specialists who will draft for us complete propositions concerning the Croatian Constitution and propositions on that basis for the SFRY Constitution. Proceeding, of course, from our programmatic orientation that the Federation should be developed from the republic constitutions, that is, from self-determination and the free will of the parts that constitute the whole. We will present these proposals to the public and stand behind them.

[ND] There are none of your people in the commission for amendment of the Constitution formed by the republic Presidency.

[Goldstein] No, and we have no need to participate in the proceedings of that commission. It is so heterogeneous in its composition that it cannot do anything consistent. Only a rotten compromise. Our position is that instead of a compromise proposal we should make several consistent and compact and competitive programs and go with them into a referendum, and then let the people in Croatia decide among those that are offered. We will be offering our proposal.

[ND] What are your relations with the other two newly formed associations in Croatia, above all with the Croatian Democratic Community and the Association for a Yugoslav Democratic Initiative?

[Goldstein] Personal relations are quite correct. This does not mean that there are no differences among us. We share the demand to create a true democracy, and we have had several coordinating meetings in that direction. All the groups in Croatia signed a joint statement to that effect, except the UJDI, which does not consider itself Croatian, but Yugoslav.

Attempts To Manipulate the Jews

[ND] Mr. Goldstein, I would like to put several more questions to you on another topic. You are president of the Jewish Commune in Zagreb. It seems to me that there is quite a gap in knowledge about the life of Jews in our country. What is the total number of Jews in our country?

[Goldstein] I think that the gap you speak of has been filled with the exhibition "Jews on the Soil of Yugoslavia," which has visited several of the largest Yugoslav cities and which 3,000 people have seen. In Yugoslavia today, there are about 6,000 Jews: 1,300 in Zagreb, 1,600 in Belgrade, 1,000 in Sarajevo, and the rest in smaller opstinas such as Novi Sad, Split, Subotica, Osijek, Skopje, Ljubljana, Rijeka, Dubrovnik, Banja Luka, and so on.

[ND] There have been debates in our country over Vladimir Zerjavic's book about the victims of World War II. As the editor, you were drawn into those debates. What is that all about?

[Goldstein] It concerns the number of victims of the war. For a long time, people used the figure of 1.7 million. That was the figure issued by the federal reparations commission to support the demands for reparations, and that was done in 1945, that is, before the population census was taken. So, this is an improvised estimate which no one afterward even verified scientifically. The first two people who attempted to establish the number of victims by a scientific method were Bogoljub Kocovic and Vladimir Zerjavic. They worked entirely independently of one another, but the results were almost identical. They established that the total demographic losses on the soil of Yugoslavia were about 2 million people, and that about 1 million of those were direct victims of genocide and the war. I came out in favor of definitively ascertaining the exact number and of putting an end to this painful tug-of-war and political manipulation, whether overstatement or understatement, which I take as a personal insult.

[ND] Do we know the exact number of victims of the war among the Jews?

[Goldstein] There is less precision here than elsewhere. Before the war, there were 75,000 Jews living in Yugoslavia, and after the war about 16,000 were recorded still alive. In some stupid article, I have been accused as the representative of my people of concealing the number of those members of my people who suffered. That is nonsense. It is not a question here of playing up or playing down. It is all painfully clear.

[ND] Do you not feel that there are certain calculations here involving the Jews, that in these internal feuds of ours the desire is to win over the Jews by constantly suggesting that we are your allies, and they destroyed you?

[Goldstein] There have been such attempts. For example, it has been said in a portion of the Belgrade press that the World Jewish Congress took the side of

Serbia against Slovenia. I protested at that time that that was not the truth, since the Jewish Congress does not meddle in the internal affairs of countries. It is true that Jews were committed on one side and the other, which does not make them Jews any the less. They are tied to one another on another basis, on the basis of their belonging to a culture and a people. Respecting differences is a part of the Jewish tradition.

[ND] The Society of Serbian-Jewish Friendship was recently established in Belgrade. How do you view that?

[Goldstein] I like it. I think it is fine when two peoples develop mutual cooperation, friendship, and get to know one another. In the kind of poisoned political relations which exist in our country, there have been attempts to make use even of that society. But it is difficult to manipulate 3,000 people, which is the number of members that that society has now. We recently established something similar in Zagreb as well.

Serbian 'Extortion' of Macedonian Firms Doubted

90EB0135A Belgrade NOVOSTI OSAM
in Serbo-Croatian 12 Oct 89 p 12

[Article by Gordana Igric: "Are Serbian Firms Extorting Their Macedonian Partners Into Supporting Milosevic? Getting at the Truth: Did 'Elektrotehna' in Belgrade Issue a Telex Call for a Rally of Employees at the Macedonian '9 May' Factory, in Support of the Policy of Slobodan Milosevic? No One Blackmailed Us, Alleges Petar Tancarov, Director of '9 May'"]

[Text] "The impoverished Macedonian south is facing a difficult battle with economic pressure, with a recognizable political sign to it. This time, the economically exhausted, impoverished, and often dependent south is being attacked by Serbia."

This was the assertion by a commentator for NOVA MAKEDONIJA in an article published on 16 September under the headline "Economic Pressure With Political Goal." An interesting story was used to back up the assertion, and the theory about "pressures" and "goals" was recently argued in the same manner by journalists in Skopje's VECER, Ljubljana's DELO, and Zagreb's VJESNIK. All of them wondered: Is there a newly-devised type of cooperation between Serbian and Macedonian firms, whereby the partners in Serbia demand that the Macedonians express political support for the Serbian leadership?

The Macedonian public was informed by VECER and NOVA MAKEDONIJA that "Elektrotehna" in Belgrade called for the rally of workers employed at the "9 May" factory at Negotin na Vardaru, in support of the policy of Slobodan Milosevic, and allegedly this is not an isolated incident. Pressure was also brought to bear on the Skopje collective "Makosped," which had to subscribe to a loan for Serbia.

What is really going on here?

Not a Trace of the Telex

From NOVA MAKEDONIJA we learned that during the "conquest of democracy" in Serbia, the leadership of the Macedonian firm visited the Belgrade partner, and that on that occasion they dealt with the emphatic insistence by the hosts that Serbian policy be recognized as the only correct one. A painting of Slobodan Milosevic was presumptuously offered as a gift, and an insolent question was raised: Why is Macedonia silent, refusing to say whose side it is on? Even then, according to the journalist, the guests felt that this was tactlessness caused by the Serbian daily routine of rallies. NOVA MAKEDONIJA continues: "The fear was justified, and as proof of this today we are able to show the telex that 'Elektrotehna' (which, rightly or not, is linked to political circles in Serbia) sent to the Cable Factory at Negotin. Specifically, in the telex the Belgrade partner, which also buys a significant share of the output of the '9 May' factory, asked, in the name of further cooperation, that the employees hold a meeting or rally in support of the policy of Slobodan Milosevic. Also requested was written acknowledgment of this, meaning a return telegram confirming a strong stance on the side of Serbian policy." Finally, the commentator concludes, "9 May" did not succumb to the pressure, the rally was not held, "Elektrotehna" did not receive written acknowledgment of agreement, and Milosevic's portrait was not hung next to Tito's. What was held instead was a professional staff meeting at which the demand from Belgrade was energetically rejected, with the assertion that their rally could potentially concern Yugoslavia. At the same time, the Economic Chamber of Macedonia and, of course, the Central Committee of the League of Communists of Macedonia (LCM), were informed of the extortion.

This completes the story of the mismatched battle between David and Goliath, in which the dignified Macedonian collective, despite its fear of losing business, repels the pugnacious Goliath from "Milosevic's" Serbia. However, there is one serious problem for anyone who attempts, with good intentions, to verify the story, or to openly criticize the incident. Specifically, the "extortion" telex does not even exist, nor are there any witnesses to the incident, and the affair probably did not even happen. Weeks of searching for the telex proved unsuccessful. No one will (dares to?) budge from the theory that has sown bad seeds.

Ostensibly, the first danger is from economic pressure on the fundamental and consistent policy of Macedonia, observed a member of the Presidency of the Central Committee of the LCM, Petar Gosev, and he confided his fear to a journalist for VECER, who put it in her article.

Today, Petar Gosev tells OSMICA: "I was stunned to read my name in the article on Serbian-Macedonian business relations. A few months ago I did comment on the boycott on Slovenian goods during a break in one of the sessions, but only someone with a wild imagination

could link that to a completely different set of problems. I have never heard of the existence of an extortion telex."

Where Are the Witnesses to Economic-Political Extortion?

VECER writes that the leaders of the firm sought advice from the Economic Chamber of Macedonia, but also from Petar Kalajdziski on the Central Committee of the LCM, on how to deal with the obvious extortion.

However, at the Economic Chamber of Macedonia, where one might expect to find the incriminating telex, the secretary of the association for the relevant (electrometals) industry, Ratko Trajkovski, says convincingly, "This is the first time I've heard about something like this happening, even though I am very well acquainted with the business of the firm at Negotin na Vardaru. I maintain that that firm did not seek advice from the Economic Chamber of Macedonia. In addition, the telex does not exist."

The reaction from Petar Kalajdziski was similar.

"There is not one grain of truth in that story, and no one came to me for advice. Furthermore, the Central Committee of the LCM is not discussing these questions. The telex does not exist."

Finally, a similar denial was added by the director of the firm "9 May," Petar Tancarov, who is exasperated at what the Macedonian press has written.

"There is no portrait of Slobodan Milosevic in my office, nor was one ever sent to me from Belgrade as a gift. No one has ever demanded a rally, and this was not discussed at a professional staff meeting. It is true that 'Elektrotehna' is our best business partner, which over the years has developed into a true friendship. Now, it is only with bitterness that I can wonder who found it necessary to do all this. I don't know the answer, but I do believe that further investigation in this direction would grieve me a great deal. Simply put, it is not fair to mix daily politics with the economy. There was no pressure, but you could say that now this lie has brought us even closer together. After everything, we are entering into even greater business undertakings, regardless of the fact that this is obviously not to anyone's liking."

At "Elektrotehna" in Belgrade, we were welcomed by the director, Bozo Rajkovic. There is in fact a picture of Slobodan Milosevic on the wall of his office, but he is personally an advocate and follower of current Serbian policy.

"I just don't know why others should have to be that too," Bozo Rajkovic asks. "What we are talking about is a hallucination, which is nonetheless worrisome. I first heard about the telex with the so-called extortion from the leadership of '9 May,' who notified me immediately after the articles appeared. They assured me that no one was trying to pick a fight with us. It is interesting that we work with this firm because there is good reason to do so, and that in the past two years we have both increased our

level of cooperation. There have never been any unresolved questions, and their professional team, very capable and young, has offered a brilliant program. For us, they are not ordinary suppliers, but rather equal partners. Does that have to change now? I don't think so."

Thus, "Elektrotehna," which also does business very successfully with Slovenian and Croatian firms (without extortion), brings us to the end of our journalistic investigation circuit. However, are there in fact other Serbian collectives that are asking for support of their national policy? In order to reassure my journalist's conscience, I had to hear what they are saying at "Makosped," the Skopje firm that Macedonian news sources accused of having been pressured to pay money for a loan for Serbia. Were they "forced" to show their loyalty to Serbian policy?

"I am stunned at the very idea," says the director of this firm, Slobodanka Popovska. "We made the loan, amounting to 50 billion old dinars, as a symbolic moral obligation, because our five working units generate income in Nis, Smederevo, Subotica, Pristina, and Belgrade. Around 25 percent of our employees work in Serbia, and more than 30 percent of our income comes from there. Believe it or not, we had to appropriate 21 billion old dinars simply to begin work on the parking system here in Skopje. That's why I'm a little ashamed of the whole story."

Finally, how are we to explain the vehement propagation of the undocumented thesis? Perhaps the answer should be sought in the specific, unenviable position of Macedonia, which has in fact become attractive to irreconcilable national "coalitions" of every hue within Yugoslavia. Its consistent "independence" actually bothers some people, and satisfies others. Macedonian national existence (experiences in the past with a strong Serbian neighbor have not always been reassuring) is very delicate, and the fear that it will be forcibly made to support Milosevic's policy is tangible in Macedonia. But fear has big eyes. Even if periodical Serbian-Macedonian disputes (Prohor Pcinjski monastery, the Law on Prohibiting Colonization) are ironed out to a certain extent, it appears that a little anti-Serbian mood may turn out to be useful. How else can we interpret the delayed popularity of an incident that supposedly took place six months ago? We tried to find out the answer to this question from VECER, where they assured us that the fear of a possible loss of work at the collectives mentioned "ate up" all the evidence. Still, a denial has been published in NOVA MAKEDONIJA.

Of course, it is still possible that the extortion telex messages were actually sent, and that people are unwilling to admit it precisely because of economic dependence. But in this case, the stigma of blackmail demands relevant and serious evidence. A photocopy of the telex, for example.

Tudjman's Call to Rehabilitate Ustase Attacked

90EB0132A Belgrade DUGA in Serbo-Croatian
30 Sep-14 Oct 89 pp 69-71

[Article by Milan Nikolic: "What Is Showing White in the Sava Near Jasenovac?"]

[Text] And so we have lived to see this: the public and open rehabilitation of Ustasa criminals. Former general and Maspok [Mass Movement] member Franjo Tudjman claims that they did not commit any sort of genocide and that the Cetnik crimes were equal to those of the Ustase, and so the victims of the Serbian and Croatian peoples are "identical." Tito, Tudjman says, knew about the "Jasenovac myth" and the exaggeration of the victims, and that is why he never visited Jasenovac, at which about 30,000 people were killed, according to the general's "research," from talking to "competent" people.

The biggest public and open rehabilitation of the most sinister system "already seen" in this region was composed a few days ago in an interview given to GLAS KONCILA by former general and Maspok member Franjo Tudjman, who has promoted himself to a "historian and scholar." As the most prominent Maspok leader, Tudjman can be extremely satisfied with the situation in Croatia. The Serbs in Croatia do not even have the right to their own language, or their own institutions, or their own newspapers, and they can pay for even the slightest attempt to establish even a rural cultural society with jail, like Jovo Opacic of Knin.

Tudjman, however, felt that the time had come to rehabilitate the NDH [Independent State of Croatia] rule and the times of the Ustase. He has been doing tremendous amounts of this, through the just published book "Wilderness of Historical Realities" [BESPUCE POVJESNIH ZBILJNOSTI], and public discussion groups in Yugoslavia and abroad, and he formulated it most concisely in the GLAS KONCILA interview. His occasion for this was the most controversial and most unresearched Yugoslav historical wasteland concerning genocide and the victims of genocide, because Yugoslavia is the only European country that has not researched and determined the number of victims. Instead, it has destroyed most of the historical documentation and sealed up most of the pits and scaffolds. In such a country it is possible to have the phenomenon, unique in the world, that sometimes when the water level is low the banks of the Sava near Jasenovac gleam white with human bones. In such a country it is possible for Tudjman to play once more the worn-out record about national symmetry in both victories and crimes, and say that during the war Jasenovac was by no means any special camp and torture chamber, "no bigger than the one in Sajmiste or in Nis," but only an ordinary labor camp.

"My information concerning Jasenovac is that at most 30,000 to 40,000 people were killed there. I came by this information on the basis of the available sources and talks with people who had a look at the documentation that was not available to historians immediately after the war."

Aside from his words, Tudjman does not state which people these were and what the documentation was that these "people" and not historians had access to. Such a "scholarly" argument by the former general confirms why the great Bernard Shaw "shunned historians whose profession was a rifle." Tudjman does not say who gave

the order after the war to level Jasenovac, and in the 1960's ordered an end to expert studies of the graves at Gradina, but he says that the "Jasenovac myth" about the death camp and the number of its victims was exaggerated because of the Yugoslav demands for war reparations.

And in response to a question from GLAS KONCILA about why Tito never visited Jasenovac, Tudjman answered that "Tito was aware of the exaggeration of the victims, and therefore, although he visited all the partisan battlefields and historically important places in the revolution, he did not visit Jasenovac."

Is Tudjman sending us the message that Tito deliberately participated in the creation of the "Jasenovac myth" and the invention of dead souls, and that he was the one who ordered Jasenovac leveled?

Reception of the Germans

This Jasenovac bookkeeping of dead martyrs is used by the retired general and former Maspok member as a screen for rehabilitating the crimes of the NDH monster and reducing it to a benign Balkan spirit that more or less all of our peoples have had. Tudjman says:

"Jasenovac obviously served the intentions of reducing all of Croatian history in World War II to the NDH, Pavelic's crimes, and genocide, because just a small group of Ustase could not have committed crimes involving 700,000 victims, or a million or a million and a half. The victims have therefore been monstrously exaggerated so that such a crime per se could be attributed to the entire Croatian people. The historical reality was quite different, however. The Croatian people joined the anti-fascist partisan movement in greater numbers than the Serbian people itself did in Serbia. It is a historical fact that a mass uprising broke out in Serbia in 1941, but it is likewise a historical fact that that uprising was suppressed after two months and that several hundred partisans retreated from Serbia, and that from 1941 to 1944 the kind of broad partisan movement that existed in other non-Serbian countries, especially in Croatia and Slovenia, did not exist in Serbia."

There are as many falsehoods here as there are sentences. The saddest thing about this "plea" of the general's, however, is that he is hiding the Ustasa cutthroats behind the entire Croatian people. Although the Norwegian people gave us a man whose name has become a symbol for collaborationism, no one in the world has equated the Norwegian people with Quisling, just as no one has equated the German people with the Nazis who killed around 10 million people in their crematoria and gas chambers. Tudjman does precisely the opposite, however. He equates the Ustase with the Croatian people, and so he diminishes the Ustasa crimes in order to diminish the guilt of the Croatian people, although no one is accusing of them. Since half a million people could not have been liquidated by a "small group of Ustase," and the general has determined that 30-40 thousand

people were killed in Jasenovac, that means that there was no genocide or killing for religious and ethnic reasons in the NDH, and instead those several thousand people could have been liquidated by just a "small group of Ustase," which implies that Pavelic's creation was an ordinary scarecrow stuffed with sawdust, and that the NDH did not function as a well-ordered state, but rather as some sort of illegal movement in which a handful of fanatical Ustase killed at random.

If Tudjman keeps on this way, one day he will "reveal" to us that Pavelic and the NDH did not even exist. Historical alchemy has never produced anything except the weeds of nationalistic illusions and errors. One of them is even well known by Tudjman. For a long time before the war, clerical and pro-Ustasa newspapers tried to persuade the Croats that they were eastern Goths who had adopted a Slavic language. Even the much exalted Macek stated that the "Croats were Yugoslav Sudeten Germans." That is why what German representative Vezermajer wrote about the reception of the German troops in Zagreb is not at all surprising:

"The animation reached its peak upon the entry of the German troops, who were received as could never have been considered possible, and General Kin told me that it was only in Linz that he had experienced something similar."

Just two months after the arrival of the Ustase and the founding of the NDH, there were monstrous massacres in Vrgin Most, the famous massacre in the Glina church, and massacres in Hercegovina and many other places. Could that have been the act of a handful of Ustase, or of an already well organized and indoctrinated army? An uprising broke out in Hercegovina as early as June 1941, and in some areas of Lika, Kordun, and Bosanska Krajina, even much earlier than shown by the republic dates celebrating the beginnings of the uprisings. Those were uprisings of the Serbian population, as the people's reaction in self-defense to the Ustasa massacres, so that Tudjman's theory that the Croatian people joined the partisan movement in greater numbers than the Serbian people did is the old game with national and territorial symbols. But the truth is that the uprising in the NDH broke out first of all and was most widespread precisely in the regions where Serbs lived. After all, Tito wrote in the Supreme Headquarters Bulletin in February 1942:

"Faced with the terrible danger of being completely exterminated, the Serbian population in those areas rose up with weapons in their hands for an uprising to protect their existence."

Representatives of the Serbian Resistance in Croatia

At the second session of AVNOJ [Antifascist Council for the National Liberation of Yugoslavia], Bakaric said:

"At the first session, we were more representatives of the Serbian national resistance in Croatia than representatives of the national liberation resistance in Croatia."

Today the situation has changed, and today the Croatian masses have joined in the NOB [National Liberation Struggle]."

Let us recall that the second AVNOJ session was held on 29 November 1943. Consequently, until 1943 the partisan movement in the NDH was primarily Serbian, and so Tudjman's theory forms part of the Comintern game, unmasked long ago, of national equalization and revolutionary symbols, which concealed the real truth about who really fought and perished in Yugoslavia by means of ambiguous and vague expressions like "Croatian partisan detachments," "victims of fascist terror," and so forth. Thus, PRAVDA wrote after the massacre in Sumarice that the fascists in Kragujevac shot "100 Yugoslavs" for one German, and the radio station Slobodna Jugoslavija [Free Yugoslavia] announced in September 1942 that the "Croatian partisans" had freed 900 Kozarac children from the infamous Jastrebarsko camp, "thus manifesting the sacred idea of fraternity and unity." The truth is that this "Croatian partisan detachment" was exclusively Serbian in composition, and that there were only a few Croatian fighters in its ranks [sentence as published]. In his book "Razmisljanje nad uspomenama" [Thoughts on Reminiscences], Pavle Jaksic writes that Tito told one group of leaders whom he was sending to Croatia that "efforts to have the Croatian people join the struggle, in the interest of fraternity and unity, were intensifying." He stressed that this was a vital question for the Croats.

Tudjman's claim that Jasenovac was not any kind of place of torture, but only an ordinary labor camp that did not stand out in any respect from the rest of the camps, is one of those same attempts by the General to prove that the hands of the Ustasa beasts were not bloodied by any sort of genocide, but only wartime retaliations. Only someone who has not read a single document could believe that smoke screen. Jasenovac is mentioned in many reports sent to the West during the war by agencies of neutral countries from Lisbon, Bern, Ankara, and Constantinople. There was not a single refugee from the NDH who did not mention the word Jasenovac with horror before the commission in Belgrade. The pits, let alone Jasenovac, had become notorious among the Serbian population in the NDH. A Catholic priest from Nova Gradiska, Franjo Matica, frightened the Serbs like this:

"God is in heaven, the Ustase are on earth, and Jasenovac is in the middle, so now will you be baptized or not?"

Tudjman's monstrous fabrications that Jasenovac was not a hell on earth but an ordinary labor camp are refuted not only by the terrible stories of the survivors, but also by the victims themselves. Every skeleton dug up from Jasenovac is a mute witness to the Ustasa bestialities that horrified even Pavelic's friends, the Germans. This is how Hitler's representative in the NDH, General Glez von Horstenau, wrote in his personal diary in 1942 about the Ustasa camps:

"These terror camps, under the leader we installed, are the peak of terror."

Horstenau openly asked Pavelic whether he was thinking of killing all the Orthodox, and it is well known that Horstenau, who was from the defeated Austria-Hungary, was not exactly any lover of Serbs. He wrote, "The uprising is thus spreading. One cannot kill a million people and expect that the rest whose lives are threatened will not defend themselves." Thus, Horstenau, half a century ago, gave Tudjman an answer as to who initiated the uprising in Croatia and who fought there "in the non-Serbian lands."

National Leveling

Tudjman's demystifications cannot be stopped by any facts, however. He told GLAS KONCILA that the Cetniks committed genocide, which no one disputes except Serbian Tudjmans, and so concluded:

"With respect to its record, the Cetnik movement committed such crimes against the Catholic and Moslem population that on the whole, the casualties of the Croatian and Serbian peoples are almost identical. Naturally, these are the casualties overall, in the war and the revolution."

So here we are. The crimes of the Ustase and the Cetniks are identical, and so the casualties of the Serbian and Croatian peoples are identical, even in spite of the fact that the Serbs were the only ones in the Balkans who paid a hundred heads for every German killed. The Serbian people have never denied the Cetnik crimes, just as it has never accepted the blame for them. The Serbian people underwent its trials before history, and not before Tudjman. And as far as the truth is concerned, the Maspok and GLAS KONCILA "historians" will need many more falsehoods to level out the victims and the crimes. The Cetniks did not have their own state, like the Ustase. The Cetniks did not have a state apparatus, police, or agencies for conversion, resettlement, and killing. They did not have places like Jasenovac, Gradiska, and the other organized camps and crematoria. How can one compare a social system which existed for four years on the basis of hatred against other peoples and for four years systematically used its entire state apparatus to carry out that genocidal program with an illegal movement that concluded alliances sometimes with the partisans, and sometimes with the occupiers, and killed and liquidated whenever it had the possibility and opportunity? At any rate, if Tudjman cares about the full truth about the victims and the genocide, why does he not support the proposal of Dedijer, Bulajic, and other historians to open up all the pits, all the scaffolds, and all the available archives, and enumerate the victims by name and surname, and write down everywhere who they were and who their killers were.

Saving Serbian Souls

Tudjman does not respond to this, because he is afraid of the imbalance that would shatter all of his fabrications

about national symmetry in victories and crimes. Then he could not launch such infantile ideas as that expelled Slovenes during the war in Serbia were converted to Orthodoxy, although he says himself that "unfortunately, there has been no systematic research on this."

As far as the conversion of Serbs in the NDH is concerned, Tudjman voices a thesis that did not even occur to the notorious Serbophobe Zivko Kustic, the editor of GLAS KONCILA: the conversion was not the work of the Catholic Church and the Ustase, but rather took place "at the request of the Orthodox population itself, since that shift meant salvation from the pogrom" (!?).

Tudjman asserts all of this as if numerous books did not exist, and as if the 400 pages of documents published in the book "Documents on the Work Against the People by Part of the Catholic Clergy in the NDH" did not exist. That book also published a document from the "Religious Department of the State Office for Renewal of the NDH," which was responsible for conversion and for the plundering of Orthodox churches under the protection of the highest state and religious authorities. The head of that Department was Pavelic's personal chaplain, the Franciscan Dionizije Juricev, who was famous for his statement that if necessary he would "take a machine-gun in his hands and destroy everyone, down to the cradle, who opposed Ustasa rule." The fact that the Serbs in the NDH were not saved by conversion from the Ustasa knife is also demonstrated by a statement by Stolac priest Marko Zovak to the assembled Serbs:

"It is not our intention to save your lives. By leading you into the Catholic faith, we only intend to save your souls."

These people and those like them are declared by Tudjman in GLAS KONCILA to be the saviors of the Serbs, and he tries to gain for them the halo of rehabilitation. Concerning the leader of the cutthroats and the commandant of the Jasenovac camp, the Franciscan Miroslav Filipovic Majstorovic, Tudjman says that he was a priest, but a former priest, and that except for him "there was no priest" in Jasenovac. He is forgetting Brekal,

Lipovac, and others, and the truth about Majstorovic is as follows: he was the Catholic chaplain of the Petricevac monastery near Banja Luka, and in February 1942 led the Ustase in a massacre of the Serbian population. He was the first one to slaughter the child Djuro Glamocanin in the village of Drakulic, with these words:

"Ustase, in this way I am baptizing these monsters in the name of God. You follow my example."

After this the church "renounced" him, but such a monster would have been renounced even by his own mother. Before the Commission for the Determination of War Crimes, Miroslav Filipovic said:

"In Jasenovac, I was an Ustasa officer and commandant of the camp for five months in 1942. During that time, by my calculation, about 30,000 prisoners were liquidated in Jasenovac. And according to what was said by Maks Luburic, who probably kept records on the Serbs killed, about half a million Serbs were killed in the NDH during those four years."

Consequently, Father Miroslav Filipovic Majstorovic said that as many people were killed in Jasenovac in five months as Tudjman claims were killed in four years! And one should not forget that the honorable Majstorovic was trying to save his own skin before the War Crimes Commission, and claimed that he had never killed anyone and was only present at the liquidations.

Stating in the interview in GLAS KONCILA that Tito knew that Jasenovac was an ordinary camp and that its victims were exaggerated, Tudjman says that Tito personally saved him from prison in 1972, telling Krleza: "Don't frame Tudjman."

Tito did this, Tudjman claims, because he knew that the Maspok was an "alleged counterrevolution" staged by the hegemonists (read: Serbs!). They constantly conspired against Tito, and that is why Tito ordered Tripalo not to submit his resignation.

No comment—let us leave the commentary to Vrhovec, Dragosavac, and other early fighters against the Maspok.

BULGARIA

Warsaw Pact Military Doctrine Emphasizes Defense
 90EB0106A Sofia NARODNA ARMIYA in Bulgarian
 27 Sep 89 p 4

[Article by Colonel Vladimir Nazarenko, candidate in military science: "Military Doctrine With a Defensive Purpose"]

[Text] In our view, any country's military doctrine has two sides: a political side and a military technology side. On the political level, the Soviet doctrine has always been of a defensive nature. But where military strategy and the modes of operation of the armed forces are concerned, our doctrine until recently provided for repelling aggression and defeating one's opponent not only through defense but primarily through offensive operations.

In May of 1987, the Political Consultative Committee of the Warsaw Pact adopted a new military doctrine that was defensive in content as well as in form. In it, both the political and military technology sides were closely coordinated and assumed an exclusively defensive purpose. This finds its expression in the primary political and strategic goal of our doctrine: the prevention of war.

The policy of the inadmissibility of war is manifest not only in political obligations, but in the purpose of military construction, in planning, in troop combat training exercises, and in staff operational training—in everything that has to do with the military technology side of the doctrine. It consists essentially of the following main questions:

The Nature of the Danger of War for the Soviet Union

Who is our probable opponent? The Soviet Union and the USA, the Warsaw Pact and NATO deny that the danger of war proceeds from them. At the same time, neither the USA nor NATO conceal the fact that they consider the USSR and the Warsaw Pact countries their opponents.

Unfortunately, reliance on the force, the threat, of nuclear armaments is the military philosophy expressed both in the Brussels declaration adopted by the military policy leadership of NATO in May of this year. And it was adopted, not during the cold war period, but now, with new, positive tendencies in the development of the international situation. There is obviously nothing left for us to do but take this into account in our practical activity.

We are well acquainted with the combat potential of the USA's carrier strike forces and NATO naval forces, which surpass the Soviet navy's forces many times over. The great danger today is from sea-based cruise missiles, which the USA refuses to limit and which it deploys in submarines and on ships. The American administration is, in fact, opening the doors to series production of the

B-2 "Stealth" heavy bomber—a means for a preemptive strike—and refuses to curtail nuclear weapons tests while it considers plans to compensate for the elimination of intermediate-range missiles. The list of items in a similar spirit could be extended.

All of this requires us to use foresight and to build up our defenses accordingly.

What Type of Aggression Are the Armed Forces of the USSR Preparing To Repel?

We have no choice on this question. We see that the USA and NATO are preparing to wage both conventional and nuclear war. At the same time, several representatives of the West are openly revealing that their allies' forces may use nuclear arms first.

While paying lip service to the notion that nuclear war would lead to a catastrophe, NATO staffs continue to plan the use of nuclear weapons to accomplish missions on the battlefield and in theaters of war on a worldwide scale. Though they state officially that there can be no victor in any nuclear war, the USA is, at the same time, not foregoing nuclear weapons and is not accepting the obligation not to use them first. This is why we are forced to prepare our armed forces to repel every type of aggression.

And why are such nuclear states as the USSR and the USA, France and England, not assuming a joint obligation not to use nuclear weapons first? This step would by no means reduce their nuclear capability. Besides, we propose the adoption of a reciprocal obligation not to start a war even with conventional means.

What Kind of Armed Forces Is the Soviet Union Compelled To Have Today?

The answer to this question is contained in our military doctrine, which is based on the principle of reasonable defensive sufficiency.

In regard to strategic offensive weapons, this means that parity between the USSR and the USA is to be maintained at a lower level. Their infrastructures may be different, but their capabilities and the effectiveness with which these could be applied must be equal. It is on this basis that we are holding talks with the USA for a fifty percent reduction in offensive weapons.

For the armed forces, defensive sufficiency means a state in which countries are capable of repelling any type of aggression, but along with this do not constitute a danger to each other, and do not possess the ability and opportunity to mount offensive operations. This means that the armed forces are structured in the following non-offensive manner: limitation on the inventory of offensive armament systems, a change in the organization of troops and their deployment, and a reduction in expenses and in the scope of military production. The USSR has already unilaterally implemented some of these measures.

Unfortunately, nothing has changed to date in NATO's disarmament policy. Instead of concrete measures in response to our initiatives, one hears reports only that the Soviet Union is taking steps in the right direction. And that is all. And what steps is NATO taking in that same direction? On this issue, doubts are being raised about the sincerity of the West regarding tactical nuclear arms, the balance of sea-based and air-based cruise missiles, etc. We must say forthrightly that, if the USA decides to produce a space-based anti-missile defense system, there will be no agreement to curtail strategic nuclear weapons.

On Preparations by the Soviet Armed Forces To Repel Aggression

We have based the building and development of our armed forces on the principle of defensive sufficiency. The concept of defensive sufficiency consists in maintaining a balance of military potential commensurate with the nature of the military threat and to the intensity of preparations by another country, which guarantees the repulsion of aggression by land, air, or sea, and which, at the same time, does not threaten the security of other countries. In accordance with this principle, the structure and deployment of military units is being changed and views regarding their use in operations are being altered, as is the purpose of troop combat training exercises and the training of staffs; also, manuals and other basic documentation are being reworked.

The primary demand being made at the present time on the USSR's armed forces is that they operate on the principle of a defensive response when the decision is made to mount defensive missions. This means that the enemy's offensive is repelled, that the effort is made to hold the lines, that deep penetration is not permitted, that the possibility of losing a significant portion of one's own territory is ruled out, that the invading forces are routed in a short period, that they are pushed back, and that the national border is maintained. The combination of defense and counterattack in a given instance does not contradict the defensive character of Soviet military doctrine as long as action against an aggressor is involved.

A significant reduction in the military capabilities of NATO and the Warsaw Pact will ultimately lead to a situation on the continent in which the two blocs will have at their disposal the forces and means necessary for defense, but insufficient for aggressive actions.

POLAND

Potential Gasoline Shortage in Military Seen

90EP0220B Warsaw ZOLNIERZ WOLNOSCI
in Polish 8-10 Dec 89 p 4

[Interview with Colonel Dr. Jozef Romanowski, commanding officer of the Armed Forces Center for

Research into Liquid Fuels in Warsaw, by Major Marek Sieniewski: "Is Gasoline Perishable?"; date and place not given]

[Text] [ZOLNIERZ WOLNOSCI] At present there is a fuel crisis or perhaps even a supply collapse.

[Romanowski] I am inclined to state that it is rather a supply collapse that is near. For several years now there has been a lack of public knowledge in Poland about the development and state of our domestic petrochemical industry, and especially about fuels management. Although we have been given various explanations of this issue, at present there are no clear prospects and directions of action in this field. The condition of fuel processing facilities is deteriorating and the number of experts dealing with the related problems is declining.

[ZOLNIERZ WOLNOSCI] What then are the prospects for motorists?

[Romanowski] For the time being a great deal is being said about the growth of the automotive industry, the production of new vehicles, but little or nothing about the availability of automotive fuels. The petrochemical industry is neglected. Even if we have the necessary supplies of crude petroleum, what of it if we cannot refine it? A new refinery costs a huge amount of money and takes about 5 years to complete.

[ZOLNIERZ WOLNOSCI] Yet the interdependence between fuels and lubricants and equipment, especially military equipment, is such that the saying, "As you lubricate so you shall drive," is certainly becoming the main direction of the Center's activities.

[Romanowski] This is certainly basic, and it also applies to many other life situations. In our field it is precisely the quality of lubricants that is a major issue. For lubricants assure the technical readiness of the troops, prolong the operating life of equipment, and can be used longer without reducing the quality of equipment.

[ZOLNIERZ WOLNOSCI] But a high quality of lubricants is not all, because much depends on the manner of their storage and distribution as well as on adherence to specific norms.

[Romanowski] Every vehicle requires specific means of its operation and maintenance as specified in instructions on use. But there is also progress, which means switching to improved products. We are working on the selection of products that would improve the economic performance of military equipment. We also are working to define the conditions and procedures for the use, storage, and monitoring of fuels and lubricants, and to explore products based on domestic raw materials and components, especially special products, i.e., coolants, brake fluids, and hydraulic fluids. We are cooperating with industry and are quite familiar with the subject in general, including the possibilities of the Polish chemical industry.

[ZOLNIERZ WOLNOSCI] The military has special requirements for such products.

[Romanowski] Yes, it does, because much of the equipment is imported and we must have the approval of its producer—even though at present the suppliers are not always capable of providing us with the means of operating and maintaining that equipment, and they even are satisfied when we use [fuel and lubricant] substitutes after, of course, having them certified.

[ZOLNIERZ WOLNOSCI] Which equipment does this apply to?

[Romanowski] Chiefly aviation equipment, and especially the engine oils [needed for it]. I wish to emphasize that the substitutes we employ have made it possible to prolong the operating life of many engines by as much as 50 percent.

[ZOLNIERZ WOLNOSCI] How many fuels and lubricants are at present used by the military?

[Romanowski] There used to be more, but we have been continually verifying and unifying them. About 40 percent of the various kinds of fuels and lubricants have been withdrawn from use, which facilitated supply, storage, and military transportation. Even so, there still remain about 200 different kinds of fuels and lubricants.

[ZOLNIERZ WOLNOSCI] How has the Center contributed to this?

[Romanowski] We conducted research and application work on new products and proposed to the heads of the armed services the withdrawal of certain fuels and lubricants and their replacement with substitutes.

[ZOLNIERZ WOLNOSCI] Has this met with resistance?

[Romanowski] On the contrary, no, because this served to reduce the variety of fuels and lubricants on hand.

[ZOLNIERZ WOLNOSCI] The fact that you are doing research into liquid fuels, as the name of your Center indicates, means little trust in their producers, does it not?

[Romanowski] Rather on the contrary. The army is a demanding customer and industry sometimes tends to guarantee a high quality of a newly introduced product but subsequently, by means of various "improvements," reduces its useful properties. Thus, we stand guard over maintaining a suitable level of quality. We investigate every shipment.

[ZOLNIERZ WOLNOSCI] Could you give us an example of rejection of some shipment owing to its low quality?

[Romanowski] Producers already know well that the army has high requirements and monitors shipments thoroughly, and therefore instances of deliberate lowering of quality generally do not happen. The market already knows that goods destined for export and for the military are superior to goods for the domestic market.

[ZOLNIERZ WOLNOSCI] What is that monitoring like?

[Romanowski] This is an entire system of activities beginning with reception, running through storage, and ending with direct distribution. It has been developed and refined over years. The civilian economy would like to model itself on it. Basically, we can tell everything about a given product from the moment it is picked up at the factory until it is poured into a vehicle's tank.

[ZOLNIERZ WOLNOSCI] Is the civilian system of quality inspection different from that of the military?

[Romanowski] It still differs from one ministry to another instead of being nationwide.

[ZOLNIERZ WOLNOSCI] Who then is concerned with the interests of the average motorist?

[Romanowski] They are safeguarded by the Polish standards, and the seller is obligated to provide a product conforming to these standards. There may occur instances of a deliberate or accidental mixing of heavier fuels with gasoline. We have developed methods for a rapid detection of such irregularities and transmitted the corresponding devices to the civilian economy. We have developed prototypes with a thought to helping the economy as a whole.

[ZOLNIERZ WOLNOSCI] In the army, unlike in the civilian economy, the prolonged storage of fuels and lubricants is a highly important issue.

[Romanowski] At present this is hardly an issue in the civilian economy considering that the shortage of fuels is resulting in their rapid rotation. Only the army is concerned with these problems, since they affect its defense tasks. In the army the storage periods are determined on the basis of a system of tests and experience.

[ZOLNIERZ WOLNOSCI] Are the storage periods of the currently used fuels longer or shorter?

[Romanowski] Newly developed fuels have a shorter period of stability in storage than ever before, and hence the established deadlines have to be strictly followed.

[ZOLNIERZ WOLNOSCI] Could you provide some comparison information?

[Romanowski] The storage period depends on whether gasoline is stored in large or small tanks, in barrels, or in canisters. The smaller the container the greater the losses and the shorter the stability period.

[ZOLNIERZ WOLNOSCI] Can the gasoline stored by personal car owners simply spoil like, say, milk?

[Romanowski] It can rather lose its properties. That is because its volatile constituents evaporate, tarry substances grow in bulk, and the octane number decreases. The best gasoline is fresh gasoline.

[ZOLNIERZ WOLNOSCI] Is this the greatest problem with fuels and lubricants?

[Romanowski] The greatest problem is the shortage of crude petroleum and the lack of modern facilities for refining fuels and their components.

[ZOLNIERZ WOLNOSCI] Research into new products takes years. Why?

[Romanowski] That is because new oils and lubricants require a succession of laboratory tests, industrial tests, and subsequently operating tests in engines and equipment over an extremely large number of hours and in various conditions. This takes time. Operating tests may confirm suitability of a product. For example, the SDF-32 oil that we had introduced for aviation engines required a 100-percent guarantee that its use would prolong the operating life of engines, and it took 5 years to test.

[ZOLNIERZ WOLNOSCI] What are the future prospects of the Center? Will it be a basic or an applied research center?

[Romanowski] We shall continue testing petroleum products for proper quality, but our principal statutory purpose is basic research. This means new procedures and new test techniques oriented toward the specific operating conditions of military equipment.

[ZOLNIERZ WOLNOSCI] Can you afford to be autonomous in your R&D and application work?

[Romanowski] We respond to needs relating to equipment, organize and implement R&D work, and participate in exploring the applications of that work in production and operation. Our experts have many patents to their credit and are valued by civilian institutions, and the demand for our services is great. We are needed.

[ZOLNIERZ WOLNOSCI] Thank you for the interview.

Promotion of Officers to Rank of General Viewed

90EP0218A Warsaw POLITYKA in Polish
No 48, 3 Dec 89 p 7

[Article by Barbara W. Olszewska: "Personal Department: Military Secrets"]

[Text] "We welcome the young generals," commented GAZETA WYBORCZA on the president's personal decisions concerning the armed forces, taken early in September. The fact that this took place practically on the eve of the formation of a government by Tadeusz Mazowiecki prompted considerable speculation and guesswork. It was said "in town" that it rarely before happened that four of the six commanders of military districts and armed services were simultaneously replaced, along with two deputy chiefs of the General Staff and the quartermaster in chief and chief of the Main Directorate of Combat Training.

When asked about this subject by a ZOLNIERZ WOLNOSCI reporter, Deputy Chief of the Personnel Department at the Ministry of National Defense Colonel Dr

Marian Stuglik declared that all the changes were carried out as part of a natural and planned rotation, without any extraordinary reasons therefor. ("It is simply a natural generational succession: frontline soldiers are being replaced by the young.") At the same time he admitted that such personnel rotations were previously executed, but never as openly as now.

As a result, all the mass media provided copious information on the new appointees. Thus: Division General Wieslaw Stelmaszuk (53 years old) became the commander of the Warsaw Military District (in place of Division General Jan Kuriata, 58 years old, who became quartermaster in chief of the Polish Army). Three other generals were appointed to the following commands: Silesian Military District—Brigade General Tadeusz Wilecki (44 years old); Pomeranian Military District—Brigade General Zbigniew Zalewski (48 years old); the Air Force—Brigade General Jerzy Gotowala (48 years old). They replaced in these posts the division generals Henryk Szumski (48 years old), who was appointed first deputy chief of the General Staff, Zbigniew Blechman, and Tytus Krawczyk. Among the 16 other persons whom the president had appointed a month later, on 3 October, to the officer rank of generals, mention should be made of the youngest ones: Division General Franciszek Puchala (48 years old), appointed to the post of deputy chief of the General Staff of the Polish Army for operational affairs, and Brigade General Edmund Bolociuch (51 years old), who became chief of the Main Directorate for Military Training, Polish Army. In the army a sudden leap from a director's to a ministerial post is impossible: thus, none of the newly appointed generals has missed any rung in the career service ladder. For example, Gen Zalewski commanded a regiment and subsequently a mechanized division, and while deputy chief of a directorate of the General Staff, he had dealings with the Pomeranian Military District and became its chief of staff and now its commander. The military careers of the others ran a similar course.

They all are graduates of two General Staff academies: the Polish Army and the USSR Armed Forces, and their leisure-time hobbies are, according to PRZEGLAD TYGODNIOWY, music and good books (Gen Wilecki), volleyball and tennis (Gen Gotowala), or walking up and down the stairs to and from a fourth-floor apartment (M-5) in Bemowo, without an elevator (Gen Stelmaszuk).

To what extent have these appointments rejuvenated the command personnel of our army? Previously the average age of the commanders of two military districts and armed services was 56.3 years, whereas now it is 5 years lower.

Discussions of reforms in the Polish Army have led to demands that both its enlisted and its commissioned personnel be reduced in numbers. In response, the Ministry of National Defense revealed that the Army's tables of organization provide for 544 posts of generals but at present only 156 persons have this rank. The other posts envisaged for generals are filled by lower-rank officers, chiefly colonels. The so-called General Index, that is, the

ratio of the number of generals to the size of armed forces personnel, as expressed in promilles, is 0.4 in this country, which means that there is one general for about every 2,500 soldiers (servicemen in the professional cadre plus basic military training). In comparison, in the FRG and Belgium there is one general for about every 2,200 soldiers; in the United States, for 2,000; in Great Britain, for 1,500; and in Denmark, for 1,000. The most generals, as many as one for every 752 soldiers are in the GDR, Italy (1 for every 762), and Hungary (1 for every 769).

Likewise, in relation to the number of officers, the number of generals in the Polish Army is low: one general for every 300 officers. This compares with one for every 130 in the GDR and Hungary, one for every 180 in the United States, and one for every 200 in Great Britain and the GDR. The record is held by the Italian army, where there is one general to every 60 officers, followed by the French (one for every 70).

The smallness of the number of top commanders in our army is due not only to restraint in distributing generals' "stripes" but also—this was not made public in the past—to the generally growing shortage of officers: at present 17 percent of command posts at various levels (chiefly platoon and company commanders) are unfilled. Offsetting the cadre shortages with professional military personnel from the units being liquidated requires retraining part of the cadre, and often also their relocation. But not everyone is willing to accept that, according to Col Stuglik in ZOLNIERZ WOLNOSCI, and some prefer to quit the army.

Military Daily 'Closer' to Readers' Needs

90EP0220A Warsaw ZOLNIERZ WOLNOSCI
in Polish 24-26 Nov 89 p 1

[Article by Colonel Zdzislaw Janos: "ZOLNIERZ WOLNOSCI in a New Edition"]

[Text] Dear readers! You surely noticed that as of today we are offering you a daily newspaper that is somewhat changed in both approach and format, even though we started atypically with the HORYZONT magazine. This is due to the comments and proposals made by the readers and correspondents of ZOLNIERZ WOLNOSCI during their numerous meetings with its editors. (Many thanks!) It also is, as it were, the outcome of attempts being made in this direction by the editors in the last few months.

The main premise of the changes under way (they will be continuous) in the manner of editing this newspaper is to bring it closer to the interests and problems of the life, service, and work of our entire military community, including a resolute promotion of the interests of the military cadre as a professional group accomplishing particularly responsible tasks within the national defense system, as well as of the interests of soldiers performing basic military service and army employees.

For example, dear readers, in conformity with your proposals and wishes, we are broadening even more the scope and readability of our information and reportages on the life and training of military units, in accord with the idea that nothing that is happening in the army may be alien to a soldier's newspaper. Among other things, in addition to the popular and liked column "Short Series," we shall successively introduce other columns such as a chronicle of events in the lives of soldiers (it may even be social events, such as a serviceman's wedding, an anniversary, etc.), and a chronicle of personnel changes (not only "at the top"), and further we intend to introduce a column or perhaps even special inserts on "Who's Who in the Army."

On our part, we offer you a much broader variety of articles and reports on the world's military problems. We shall try to publish such articles and reports in interesting language and competent form.

As a daily newspaper, we shall continue to publish reports on major current world events. Insofar as possible they will be, however, made more precise and adapted to both the needs of ZOLNIERZ WOLNOSCI and the interests and expectations of the readers.

Then too there are the issues vital to our entire military community. As before, we shall resolutely oppose any kind of attacks on the Polish Army, such as are unfortunately being undertaken in certain mass media, often from unfriendly positions. In addition, we cherish the ambition of voicing our opinions on major national issues, on national security, on our credibility as an [Warsaw Pact] ally, and polemicizing more resolutely against views and articles inimical to the country's *raison d'etat*.

So much in a nutshell about the plans to refine our armed forces' newspaper.

It remains only for me to invite you, dear readers, to read and, above all, participate in publishing ZOLNIERZ WOLNOSCI by sending in articles, reportage, news items, etc. Your opinions, comments, and further proposals concerning this newspaper are cordially invited.

GERMAN DEMOCRATIC REPUBLIC

Growth of Merchant Fleet Detailed

90EG0072A East Berlin SEEWIRTSCHAFT
in German Oct 89 pp 471-484

[Article by authors' collective: "GDR Shipping Industry"]

[Text] The 40th anniversary of the establishment of the GDR is an occasion for us to wish all workers in the GDR's shipping industry further success in their work for the well-being of our republic. By virtue of this national anniversary the following article, by describing several stages and activities related to the development of the GDR shipping industry, is at the same time dedicated to acknowledging the diverse accomplishments of these important industries of the GDR's economy.

General Political and Economic Geographical Overview

The formation and development of the various sectors of the GDR shipping industry are closely linked with the economic and political objectives and requirements of the first socialist state on German soil. Its maritime location with a coastline of more than 300 km as well as a surface area of 108,333 square kilometers and approximately 16.7 million inhabitants provides the GDR with favorable natural conditions to develop all sectors of the shipping industry. Merchant shipping, shipping and harbor management, fishing and shipbuilding, which supports shipping activity, are economic sectors which reflect century-old traditions along the GDR's Baltic Sea coast. Prime periods in the development of merchant traffic, fishing and shipbuilding were achieved when the Hanseatic League evolved in the 14th and 15th centuries and in the 19th century when British demand for grain favored the grain production in Mecklenburg/Pommern, which was operated primarily through farm management, grain shipments and the building of sailing ships. In the course of history, economic and political developments at the national, regional, and international economic level not only resulted in periods of flourishing activity, but also in phases of development in which the shipping industry along the Baltic Sea coast was only of local importance. In the last analysis this was the situation in the territory of the GDR up to the end of World War II.

A third, currently continuing heyday in merchant shipping, shipping and harbor management, fishing and shipbuilding started in a concentrated way with the establishment of the GDR when the plan-based development of a socialist economy and the need to overcome the consequences of the imperialist division of Germany required objectives of significant dimensions in development relating to the shipping industry.

The economic-structural and territorial economic development, the rapidly developed ocean-based foreign trade

requirements, the need to supply the people and agriculture with products from coastal and ocean fishing and the essential availability of suitable ocean transport means not only required that existing installations and facilities be rebuilt or expanded, but also that new capacities in all industries related to the shipping industry be created taking proportional development of other sectors of the economy into consideration.

Today all branches of the shipping industry have an important place in the economic reproduction process. In respect to the division of labor they are all more or less variously linked with the other industries of the economy and contribute significantly to the national income. In addition to supplying the domestic market, all sectors of the shipping industry are responsible for foreign trade tasks, particularly export and service tasks. The economic sectors which are active in the shipping industry reveal, particularly in connection with fulfilling foreign trade requirements, close integration with industry, agriculture, and transport. Tasks relating to ocean-borne foreign trade develop out of the industrial structure, the country's raw materials situation and from the closely related regional structure and kinds of goods involved in GDR foreign trade.

Today, the industry's share of the net product is more than 70 percent. About 38 percent of all people employed work in this economic sector. Since the beginning of the 1980's the industry's task has primarily been to guarantee the material-technical basis of the economy as the most important foundation for guaranteeing stable economic growth, high work productivity and gradual improvement in the people's working and living conditions. Industrial production benefited from the fact that it was possible to substantially increase the level of socialization and the concentration of production by developing large socialist combines. These are responsible for making high quality products available in an efficient manner for material production, to supply the people with consumer goods and for export. More than 95 percent of those working in industry are concentrated in this area. Although the GDR has the full breadth of a modern industrial structure, its raw material basis is not favorable for industry. Some of the raw materials which are present in large quantities in our country, such as brown coal as the basis of energy production, rock salts and potash salts for the chemical industry, limestone for cement production, and various stones and soils as a basis for the building material, ceramics and glass industries, are used not only in industrial production to supply the domestic market, but also for export tasks. The largest, and the exclusive part, respectively, of the requirements for industrial raw materials must, of course, be imported. Fuels, raw materials, metals, rubber, and other raw materials and semifinished products comprise more than 50 percent of the value of all imports. The predominant part of these goods is imported from socialist countries, especially the USSR. The possibility of importing these raw materials systematically on a long-term basis makes it possible to use

efficient transport systems to handle the task of supplying raw materials. This primarily affects foreign trade transport between the USSR and the GDR. Although oceangoing vessels are used to handle foreign trade transport, the share of goods which was transported illegally across the border using inland transport means continued to be very large until the Mukran-Klaipeda railroad ferry link was built. In addition to cost-favorable ocean shipping, this ferry link, which supports GDR foreign trade, represents an important factor in efficient handling of foreign trade transport. The industry concentrated there which historically developed in the southern part of the GDR because of the existing raw materials located there and the occurrence of raw materials which are important for the export industry which are localized there require costly transport between the seaports and the interior.

The large share of industrial finished products for export amounts to more than 70 percent and has caused quantitative and structural imbalances in foreign trade between the GDR and its foreign trade partners. To a great extent this also applies to oceangoing foreign trade. On the one hand there are large quantities of raw materials and semifinished products, and, by way of comparison, on the other hand small quantities of high quality finished products. This structure has varying impacts on transshipping goods in the ports, on the utilization of ocean transport means, but also on the efficient use of inland shipping transport carriers. The process of using modern transport technologies, such as container and ro/ro transport, has not yet been completed.

In contrast to industry, agriculture, and forestry account for only eight percent of the final net product and only about 11 percent of all people employed work in agriculture. The peasant class, which previously was split into social classes, has developed under socialist conditions of development as a class of cooperative farmers. Because of a high degree of mechanization and the use of modern methods in organizing production and enterprises in crop and animal production the GDR has attained a leading place in gross production per hectare of agricultural land in Europe. With the products manufactured it is not only possible to provide the people of the GDR with a stable supply of the most important agricultural products and to make a large variety of raw materials available to industry. Beyond that, it is also possible to realize exports of animal and crop products in limited quantities, in part by sea.

In view of our limited resources forestry products, mainly sawn timber, are essential in order to supply many sectors of the economy and the population. Wood, as well as wood products, are imported by sea primarily from the USSR and Finland.

The importance of fish as food for the people and as fertilizer for agriculture has had a supportive influence on the development of coastal fishing and ocean fishing and has also favored the building of fishing ships with tasks which have now become important for exports.

The fact that trade relations are nurtured with more than 100 countries in the world provides a measure of the importance of developing an efficient merchant marine fleet and efficient harbor management as well as the importance of the GDR's foreign trade by sea. In view of the above-cited reasons the structure of the kinds of goods imported by sea is characterized by ores, minerals, liquid goods, grains, rolling mill products, raw materials for the textile, food and nonessential food industries and wood. On the export side, industrial finished goods, machines, equipment, transport means, chemical products, fertilizers, cement and industrial consumer goods determine the structure. In line with the conditions of development in the GDR, priority was given to expanding the railroad in order to link the seaports with their respective hinterland. This carrier handles more than 90 percent of all goods between seaports and their hinterland. Electrifying the main lines between ports and hinterland made it possible to further increase the efficiency of the ports and the railroad. Pipelines which connect the port of Rostock with industrial processing centers in the interior are important for liquid fuels and fertilizer production.

The regional structure of foreign trade reveals that about two-thirds of foreign trade sales are accomplished with socialist states (38 percent alone with the USSR). Capitalist industrial countries account for about 30 percent and developing countries for the remainder. The significance of the USSR as the most important foreign trade partner by sea is clear from the fact that more than 90 percent of some goods are imported from the USSR. Realizing joint investment projects in order to develop raw materials in the USSR, supporting economically integrative development between the CEMA countries and further developing trade relations with developing countries abroad, in Asia and Africa increase the demands on foreign trade by sea. The regional structure of foreign trade by sea is reflected in the objectives of the GDR's foreign policy activity which is focused on guaranteeing the socialist structure, on supporting the social and national liberation movements and on developing relations with capitalist countries which are based on having equal rights and on peaceful coexistence. The GDR's ocean shipping industry has a variety of opportunities for developing beyond what has been accomplished thus far. For example, the GDR's central location in Central Europe provides the shipping industry with favorable conditions for solving transit tasks. These and other tasks also require of all workers in the shipping industry their strength and willingness to perform in the years to come.

The science-production cooperation group in the shipping industry (WPKS) has achieved special importance for the development of the GDR's shipping industry branches. As a result of the requirements of the reproduction processes in the combines, the development in the markets and in particular the trends in scientific-technical progress, the shipping industry's combines were joined with the advanced school facilities in Rostock Bezirk and the shipping industry's offices on 19

January 1979. A positive and differentiated balance sheet was struck at the anniversary colloquium in January 1989 and at the same time the direction for future work was outlined. Modern and efficient ships and ship equipment are to be developed, tested and put into operation by the coordinated and concentrated use of personnel, material and financial resources in such sectors as automation technology, CAD/CAM [computer-aided design/computer-aided manufacturing] technology, development of prototype ships, maintenance and modernization, ship safety, and environmental protection. The development and use of top scientific workers and the purposeful and systematic initial and continuing training of engineers and economists for the shipping industry's branches is an additional key area in the WPKS.

Merchant Fleet

When in July 1950 the Third SED [Socialist Unity Party of Germany] Party Congress resolved to create an oceangoing merchant fleet, the opportunities for our economy were still very limited. Yet the establishment of the VEB [state enterprise] German Ocean Shipping (nowadays Deutfracht [Deutfracht International Charter and Shipping]/Shipping) on 1 July 1952, the addition of newly built tonnage from our own shipyards on up to placing the first 10,000-ton ships Peace and Friendship into service in 1957, the gradual beginning of scheduled service to the Mediterranean, to West and East Africa and to Asia and starting operation of Rostock's seaport on 30 April 1960, gave proof of our party's and government's far-sighted policy on developing the GDR's shipping industry. In this historically short period a socialist merchant fleet which occupies a considerable and recognized place among the fleets of those countries involved in shipping was built up and developed in our country.

This successful path would not have been possible without the fraternal help and support of the Soviet Union. At the same time the development of our merchant fleet is inseparably linked with the development and growth of the GDR. Following the compelling name of the first ship, "Forward," the preparedness on the part of our sailors and the support of the people throughout our republic have proven to be a pledge of success.

VE Shipping and Harbor Management Combine

The establishment of the Shipping and Harbor Management Combine Deutfracht/Shipping on 1 January 1974, positioned the fleet as a main enterprise and as a factor determining efficiency in the center of management activity. As a specific branch of the GDR's uniform and centrally managed transport system the combine has fulfilled in a high quality manner the task of qualitatively guaranteeing in a timely way the GDR economy's foreign trade transports by sea and transshipping goods in port as well as service exports and transit capacities in ocean transport and transshipping in port.

In the 15 years since the combine was established the merchant fleet sailors have transported more than 180 million tons of cargo, harbor workers have transshipped more than 300 million tons of all kinds of goods in the three ports of Rostock, Wismar, and Stralsund, the more than 25,000 workers together with their cooperating partners produced values in the billions for the GDR's economy. Every year about 13 million tons of goods are transported by sea, and oceangoing transshipping accounts for 25 million tons. Thus, of the GDR's own foreign trade the Shipping and Harbor Management Combine handles 60 percent of the transport requirements by sea and 94 percent of the transshipping requirements by sea. In order to solve this objective, more than 130 units afloat of the Technical Fleet, the ports of Rostock, Wismar, and Stralsund, and enterprises for services typical of ocean traffic are available in addition to the merchant fleet (Table 1).

Table 1.
Overview of the Enterprises in the VE Shipping and Harbor Management (KSH) Combine

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| 1. VEB Deutfracht/Shipping Company, Rostock (DSR), main enterprise |
| 2. VEB Dredging, Towing and Salvage Shipping Company (BBB) |
| 3. VEB Rostock Seaport (SHR) |
| 4. VEB Wismar Seaport (SHW) |
| 5. VEB Stralsund Seaport (SHS) |
| 6. VEB Deutfracht, International Charterage, Berlin (DF) |
| 7. VEB Ship Supply (SV) |
| 8. VEB Ship Agency (SM) |

The following tasks are accommodated by combine enterprises:

- international passenger and tramp shipping; container service, ro/ro service, general, bulk and liquid cargo transport, refrigerated cargo transport; special heavy goods transport; oceangoing ship charterage and chartering;
- goods transshipping and storage;
- piloting, hauling, towing oceangoing ships; dredging; underwater construction; ship servicing;
- oceangoing ship customs clearance and handling, booking scheduled cargo, and
- equipping and supplying oceangoing ships.

The combine includes a Scientific-Technical Center, two enterprise schools, a stationary training ship, a combine academy, a seamen's hotel, a seamen's recreation center, and four training and discussion centers focusing on traditions, fleet and port professional consulting centers, and six merchant fleet Central Advertising Agencies in the GDR provide counsel to the next professional generation.

Four domestic offices are responsible for advising the GDR's export industry; the first one was opened in Leipzig at the beginning of 1988. Some 28 foreign institutions, five mixed societies as well as agencies are involved in guaranteeing commercial work. Overall, 400

commercial contracting partners, including 200 brokers, were committed. Internationally the combine enterprises are represented in a number of international nonnational organizations. (Table 2)

Table 2.
Cooperation by GDR Shipping Industry Enterprises
in International Nonnational Organizations

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|---|
| 1. INSA (International Shipowner's Association)—VEB DSR |
| 2. BIMCO (The Baltic and International Maritime Conference)—VEB DSR; VEB DF, VEB SM |
| 3. ICHCA (International Cargo Handling Coordination Association)—VEB DSR |
| 4. ISSA (International Ship Suppliers Association)—VEB SV |
| 5. IMB (International Maritime Bureau)—VEB DF |
| 6. IAPH (International Association of Ports and Harbors)—VEB SHR |

Cooperative Relationships

The VE Shipping and Harbor Management Combine maintains intensive cooperative relationships with such enterprises as the VEB Deutrans [Deutrans International Shipping and Charter] Port Forwarding Company, the GDR railroad and Intercontrol, Limited and Tally, Limited, independent control firms. Efficient handling of the increasing transshipping tasks would be inconceivable without smooth cooperation within this contractually defined interest association in the port transport junctions. Thus, in the context of his acquisition activity and as a multimodal transport organizer the forwarding agent contributes a great deal to the ports' customers in order to meet their requirements quickly and qualitatively. In addition to these cooperating companies, other enterprises and facilities which are important for shipping and the other customers are in operation in the territories of the ports. Among others, these include the VEB Minol as a bunkering company, shipyard repair facilities and care facilities for seamen, such as the transport system's Medical Service with out-patient clinics, wards and port pharmacies.

VEB Deutfracht/Shipping

Today the VEB Deutfracht/Shipping is proving to be the largest universal shipping company in Europe. With the 165 ships which it currently owns with a total capacity of 1.8 million tons, it offers its own foreign trade as well as its transit partners and foreign customers recognized service with trademarks of quality and reliability in ocean transport. Some 27 scheduled services (Table 3) maintain links with the most important centers of international trade and shipping. At merchant shipping points in about 100 countries the 9,000 sailors in the GDR's merchant fleet are respected partners. Approximately 6,700 times per year the ships with the blue-red-blue smokestack logo of the shipping company which is known internationally as the DSR [Deutfracht/Ocean Shipping, Rostock] Lines tie up in more than 400 ports.

Table 3.
VEB Deutfracht/Shipping Company, Rostock
Scheduled Service (as of August 1989)

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|--|
| 1. GDR-USSR (bilateral GLD Unibalt, Rostock-Riga and vice versa)—(ro/ro and container service) |
| 2. GDR-USSR (Klaipeda—Mukran)—(railroad freight ferry service) |
| 3. GDR-Finland (ro/ro-service) |
| 4. GDR-Great Britain (Hull)—(ro/ro service) |
| 5. GDR-Great Britain (Purfleet)—(ro/ro service) |
| 6. GDR-Great Britain (Felixstowe)—(container service) |
| 7. GDR-Continent-Mediterranean (as full member of the Joint Venture container consortium) |
| 8. GDR-Continent-Mediterranean (conventional service) |
| 9. GDR-Albania (bilateral GLD, conventional service) |
| 10. GDR-Egypt (bilateral GLD, conventional/container service) |
| 11. GDR-Algeria (conventional service) |
| 12. GDR-Continent-West Africa (GLD Uniafrica, conventional service) |
| 13. GDR-Continent-East Africa (as full member of the Beacon container consortium) |
| 14. GDR-Continent-East Africa (conventional service) |
| 15. GDR-Continent-Red Sea (as full member of the Red Sea Express container consortium) |
| 16. GDR-Continent-Red Sea (conventional/container service) |
| 17. Poland-GDR-Continent-Mediterranean-Gulf of Arabia-India/Pakistan/Sri Lanka-Southeast Asia-Far East (GLD EACON)—(container service) |
| 18. GDR-Continent-India/Pakistan/Bangladesh (conventional service) |
| 19. GDR-Scandinavia-Continent-Vietnam (conventional service) |
| 20. GDR-Continent-Southeast Asia-Far East (semicontainer service) |
| 21. GDR-Continent-China (North)/North Korea (semicontainer service) |
| 22. GDR-Continent-China (South)—(semicontainer service) |
| 23. GDR-Continent-South America (GLD Baltamerica)—(conventional service) |
| 24. GDR-Cuba (ro/ro and container service) |
| 25. GDR-Cuba (conventional service) |
| 26. GDR-Continent-Central America/West Coast (including Nicaragua)—(semicontainer service) |
| 27. GDR-Caribbean-Mediterranean/East Coast-Mexico (semicontainer service) |

The large variety of types of ships in the fleet, such as full container and ro/ro ships, general cargo ships and specialized ships to transport bulk cargo, refrigerated cargo, heavy cargo, chemicals, and the like, attest to the VEB DSR's position as a universal shipowner. Two-thirds of the ships are used for transporting bulk and general cargo.

In line with the trade policy requirements and the international trend, container traffic in our national merchant shipping industry has since developed into a key and basic technology which ranges across many sectors. In 1988 the GDR's merchant fleet transported

about 152,000 containers with about 1.8 million tons of cargo. At present 69 ships are being used in container transport with a total of 27,300 TEU [20-foot equivalent units] in the trading areas of Europe, the Mediterranean, the Gulf of Arabia, the Indian subcontinent, Southeast Asia, the Red Sea, East Africa, and Cuba. These include the 16 type VC 420 full container ships which were placed into service between 1985 and 1989 from Spain, as well as the Equator and Saturn from GDR shipbuilding. In 1987, a new stage in the history of the GDR's merchant fleet was introduced with the Ernst Thaelmann, the first Saturn series full container ship. For the first time container tonnage which originated in the GDR was involved in the most important routes between Rostock and the Far East.

Deutfracht/Shipping maintains a container fleet of 30,000 TEU; 15,000 TEU belong to the enterprise. Container transport in the past few years, which determines transshipping, includes the USSR Lenin with its 38,000 containers. With growth rates of in part more than 100 percent at the beginning of the 1980's, constantly new kinds of goods from the chemical and consumer goods sectors, in addition to the usual kinds of goods such as cellulose, picture tubes, chemicals, batteries, tires, motors, furniture, and machines, arrived in containers for shipping on this line which is operated by Deutfracht/Shipping and Lettish Shipping as the Unibalt consolidated scheduled shipping service.

With double-digit annual growth rates among the overseas lines, the Cuba Service and EACON Service, Europe-Asia-Container Service, have proved themselves as developing carriers. This service has been operated for one year at a new level of integrative cooperation by Deutfracht/Shipping as a consortium together with the Polish partner shipping company Polish Ocean Lines. When we take development into account, the DSR has since joined additional international consortia.

Special emphasis must be placed on the contribution of the shipping industry to realizing trade exchange with the USSR. A vivid example for realizing party congress resolutions was documented with the establishment of the most important integrated project in our country's transport system and the opening of the GDR-USSR railroad ferry connection on 2 October 1986, with the rail freight ferry Mukran. The workers of the VEB BBB contributed a great deal to building the Mukran ferry port.

Operation of the passenger ship Arkona also illustrates the overall achievements of the VEB DSR as a universal shipowner; when it was placed into service in October 1985 it continued a long tradition of GDR passenger shipping.

In order to accommodate the economic requirements of the future, the focus is on tasks such as studying container technology and organization, including cooperative processes with the goal of achieving greater efficiency in the key intensification areas of the transport, transshipping, storage, and maintenance processes.

Harbor Management

The development of the ports also reflects the GDR's growth and evolution. When the war ended, the few port facilities on the Mecklenburg coast were largely destroyed. Numerous wrecks blocked usage of the harbor waters. In Rostock and Wismar a large part of the installations were cleared and reestablished with the help of the Soviet military administration.

In mid-May 1946 the Soviet freighter "Soumen Neito" docked in the port of Wismar as the first ship after the end of the war, and that same year the port of Rostock also once again resumed its transshipping activities. On other hand, the clearance work in Stralsund lasted until 1949. In 1946 Rostock and Wismar reached their prewar capacities. In addition to supply goods and important foodstuffs, which were unloaded, potash export began in Wismar in 1947.

The establishment of the GDR launched a purposeful economic development which made increasing seaward exports and imports essential. By the beginning of the 1960's Wismar was the GDR's main foreign trade port, the home port of most of the merchant fleet's scheduled shipping. Of course, oceangoing foreign trade had quadrupled between 1950 and 1958 (to 6.5 million tons), while the capacity of the ports was about 3.5 million tons. New port installations had to be built in order to avoid excessive burdens on the economy because of foreign port transshipping. Based on a resolution of the 33d meeting of the SED's Central Committee, ground was broken on 26 October 1957, on the south shore of Lake Breitling in Rostock, the construction of a new ocean port began. Favorable site conditions had resulted in this decision which benefited Rostock. On the evening of 1 May 1960, it was possible to unload the first cargo from the MS [motor ship] "Schwerin" in the harbor. Today all three ports transship more than 25 million tons per year.

In the past 40 years there were these important activities in expanding harbor facilities:

- completion of the first potash transshipping installation in the port of Wismar (1949-50);
- rebuilding the ocean port in Wismar (1953);
- completion of a salt exporting installation in the Stralsund harbor (1958);
- starting operation of the first potash sections in the new Rostock ocean harbor (1960);
- beginning of oceangoing container transshipping in the Rostock harbor (1968);
- conclusion of the first stage of expansion of the ocean port in the Rostock harbor; annual transshipping volume of 10 million tons was exceeded (1970);
- expansion of the potash transshipping capacities in the Wismar harbor (1974);
- deepening the channel of the Rostock harbor to 13 meters (1977);
- connecting Rostock to the central-European autobahn system (1978);

- second expansion stage of Rostock harbor by virtue of comprehensive transshipping facilities for grains, fertilizers, metals, ammonia, and cement (1981-84);
- comprehensive rebuilding of the potash transshipping installation in the Wismar harbor (1984), and
- starting operation of the LP 61 container terminal (1985) in the Rostock harbor.

The extensive investment measures and diverse intensification tasks in harbor management were the prerequisite for meeting the foreign trade requirements. The plan-based specialization of the three harbors was accomplished on the basis of an efficient division of labor which matched the geographic conditions of the harbor sites in respect to transport, concentrating on Rostock harbor. While Wismar specialized in potash exports and wood imports and Stralsund on salt and coal exports, Rostock is characterized as a universal harbor and home port for almost all scheduled shipping. Approximately 6,000 ships with more than 25 million BRT [gross register tons] call at these three ports. Naturally the flags of the GDR and the USSR (about 50 percent) are dominant among the ships from more than 95 countries.

Each year Rostock harbor handles about three million tons of liquid cargo, 11 million tons of loose cargo, and seven million tons of general cargo (Table 6). The overwhelming part of the goods (more than 90 percent) is transported to and from the port by the railroad and processed in the harbor railroad station (about 220 km of track). The harbor at present has more than 43 berths amounting to about 10 km long along the dock; these are distributed among the following harbor complexes:

- chemical harbor to import ammonia;
- petroleum harbor with three berths and a 100-kiloton-fuel depot; in addition, the harbor has a pipeline connection to the chemical industry;
- grain harbor (Pier IV) with three berths for grain, fodder, and fish meal and a 100-kiloton silo;
- fertilizer sector to export loose and bagged urea and potash via three shiploading devices from two warehouses (55 kilotons);
- loose cargo complex (Pier III) with eight berths for coal, ores, apatite and loose cement;
- Pier II to transship conventional general cargo (13 berths);
- Pier I to transship bulk cargo (10 berths) and special installations for metals, fruits, ro/ro units, and containers;
- city harbor (seven berths) for general and loose cargo and ship with a draught up to seven meters, and
- Warnemuende passenger dock.

In the past few years container transshipping facilities were systematically expanded in Rostock harbor. Two gantry cranes on LP 61's and three portal cranes on the bonded warehouse as well as various kinds of container handling equipment guarantee 150,000 TEU of container transshipping each year. This container terminal is being expanded by the LP 60 and some storage areas.

Rapid processing times in all transshipping sectors came as a result of modern transshipping technologies. The associated requirements on organizing processing can also be accommodated in Rostock harbor only by computer-assisted organization systems. PORTBILANZ and CARGO-PORT are the first components realized in order to provide international links with modern harbor information systems. The extensive overall performance in Rostock harbor is realized in particular by the VEB Rostock Harbor and the cooperation of the VEB Deutrans Ocean Forwarding Company, VEB Shipping Agency, the GDR railroad and Tally, Limited. All production cooperation enterprises have been working together for years on the production cooperation council which in addition to production tasks also discusses questions relating to the shaping of social conditions in the harbor region. In the next few years Rostock port will have the task of expanding container processing quantitatively and qualitatively, making the array of service capacities more attractive and developing as a modern logistics center. Linked with this is the objective of increasing the share of transit goods.

The port of Wismar handles about four million tons per annum, including about two million tons of potash. More than 1,500 ships are processed in 16 berths with 2,350 meters of dockside. The port facilities include cranes, storage capacities and special transport, transshipping and storage equipment.

The port has the following transshipping sectors:

- petroleum harbor (being rebuilt until 1990);
- chemical harbor with its own berth for lyes and glues;
- potash port with three berths and three ship loaders (at 540 tons per hour), modern railcar unloading station and potash storage sheds (74 kilotons);
- ocean port for general cargo (six berths);
- wood port (three berths), and
- grain port utilization by agriculture.

The development of container traffic is shifting the container loading share of scheduled service to South America and the Mediterranean to an increasingly greater degree to Rostock. The port of Wismar will thus further specialize in certain kinds of goods such as potash, wood, and chemicals.

The port of Stralsund is a small port of enormous importance for shipping in the Baltic Sea. Barely one million tons of cargo are transshipped at the four berths while three berths will be undergoing reconstruction and expansion until 1991-92. Mention should be made of the following as port sectors:

- Hansa dock specializes in salt export with a fully automated transshipping facility (300 tons per hour);
- Old Sweden dock (three berths) for general and loose cargo, and
- New Sweden dock (three berths); currently the dock is being widened by 22 meters and lengthened by 60 meters for loose cargo.

The port of Stralsund is the only one with direct access to the inland waterway network. Reconstruction in this port is continuing to develop GDR-USSR bulk cargo traffic in particular (with oceangoing river vessels, among others).

Ferry traffic plays a large role for the GDR as a north-south transit country and in trade with the Soviet Union. The Warnemuende, Sassnitz, and Mukran ferry ports annually process about eight million tons of goods (Table 4). In 1989 the Sassnitz-Trelleborg ferry line can look back on its 80-year history. The ferry port complex which was newly built in 1958-59 in Sassnitz with its two ferry racks handled almost five million tons of goods in 1988 and more than 420,000 passengers. The Swedish ferry Trelleborg and the GDR railroad's new ferry Sassnitz guarantee the most modern railway ferry conditions on the TS Line. On the TS Line there are five ferries in all in service which offer 10 departures from Sassnitz every day. Electrification of the railroad line on Ruegen, which was completed in May 1989, and the rebuilding of the Ruegen causeway, which is planned for 1990, will substantially improve connections with the hinterland of the Sassnitz ferry port.

Table 4.
Balance of Goods and Services of the Sassnitz-Trelleborg and Warnemuende-Gedser Ferry Lines

| Year | Sassnitz-Trelleborg | | Warnemuende-Gedser | |
|------|---|--------------------------------------|---|--------------------------------------|
| | Passengers transported (10 ³) | Goods transported (millions of tons) | Passengers transported (10 ³) | Goods transported (millions of tons) |
| 1950 | 168.8 | 0.150 | 5.0 | 60.0 |
| 1960 | 243.9 | 1.1 | 40.0 | 140.0 |
| 1970 | 230.8 | 2.169 | 131.4 | 356.0 |
| 1980 | 278.0 | 3.381 | 201.1 | 390.0 |
| 1988 | 422.2 | 4.787 | 275.4 | 274.2 |

Today the Warnemuende-Gedser ferry route which was opened in 1903 transports about 300,000 passengers and 300 kilotons of cargo with two ferries. It does not compare in importance to the TS Line since this transportation route has only a small "foreshore" region (islands of Sjaelland and Lolland).

The Mukran ferry port was put into operation on 2 October 1986. It is a large transshipping complex which is responsible for loading and unloading ferryboats, handling transshipping between GDR railroad cars and the large cargo cars of the Soviet national railroad and adjusting the gauge of a small number of Soviet cars. The four large ferries transported 2.5 million tons of cargo in 1988. The efficient transshipping junction has the following installations:

- ferry wharf with two berths and a two-stage ferry bridge to serve both decks of the ferry;
- normal gauge and wide gauge groups of tracks;

- reloading sector with two reloading sheds and an open reloading sector, and
- facility to adjust rail gauge.

In all there are 90 km of track. The railroad ferry station is designed in such a way that six ferries can be handled on a regular basis.

Shipbuilding

"Quality, flexibility, ruggedness—made in the GDR," these are characteristics of the GDR shipbuilding's performance balance sheet in the past 40 years.

Since 1946 GDR shipyards have delivered over 5,000 oceangoing and inland waterway ships of almost 200 different types to customers in 45 countries (Tables 5 and 6). The range of products includes cutters built of wood and steel, factory trawlers, conventional coastal motor boats, full container ships, inland waterway passenger ships, oceangoing passenger ships holding 750 passengers, ro/ro and twin-deck railroad freight ferries, tugs, fireboats, pushed barge units, and bucket chain dredges.

Table 5.
New GDR Shipbuilding Production

| Year | Number of Ships | GRT and GT, respectively, in 10 ³ | Percent share of world production |
|----------|---------------------|--|-----------------------------------|
| 1946-60 | Approximately 2,640 | 1.171 | |
| 1961-65 | 526 | 0.971 | |
| 1966-70 | 611 | 1.474 | |
| 1971-75 | 379 | 1.668 | 1.08 |
| 1976-80 | 301 | 1.924 | 2.0 |
| 1981-85 | 320 | 1.883 | 2.0 |
| 1986/90* | 217 | 1.620 | 2.5 to 2.7 |

*Projected

Table 6.
Direct Export of New Ships by Country

| | | |
|---------------|-------------|----------------|
| Egypt | Hong Kong | Philippines |
| Albania | India | Poland |
| Algeria | Indonesia | Romania |
| Berlin (West) | Iceland | Sweden |
| Bermuda | Yugoslavia | Switzerland |
| Bolivia | Cameroon | Singapore |
| FRG | Cuba | Soviet Union |
| Bulgaria | Liberia | Tanzania |
| Burma | Libya | Czechoslovakia |
| China | Madagascar | Tunisia |
| Denmark | Malta | Hungary |
| Faroe Islands | Netherlands | Vietnam |
| Finland | Nigeria | Cyprus |

Table 6.
Direct Export of New Ships by Country (Continued)

| | | |
|---------|---------------|--------|
| Gabon | Norway | Greece |
| Austria | Great Britain | Panama |

It must be kept in mind that the shipbuilding industry has basically been in existence only since 1945. Ships and shipbuilding products number among the export goods whose volume in terms of value traditionally is of economic importance. The Shipbuilding Combine on average accounts for about eight to nine percent of all GDR exports to the USSR. For over 40 years the USSR has been the major customer for GDR shipbuilding. Orders for the Soviet Union's merchant, fishing, inland-waterway and Technical fleets were of fundamental significance for full utilization and progressive development of the GDR's shipbuilding industry. Between 1946 and 1988 about 3,600 ships representing 80 types were built for the USSR, including:

- about 2,520 fishing ships;
- 330 cargo ships;
- 256 oceangoing and inland-waterway passenger ships, and
- about 500 ships in the Technical Fleet.

In the face of international competition the GDR was able to maintain its position as one of the shipbuilders for the Soviet Union because over the long haul it could identify with the requirements of its main customers and jointly developed the appropriate solutions directly with the operators. Concentrating shipyards on the four product lines which are typical of GDR shipbuilding which are systematically designed as succeeding generations, namely fishing ships, cargo ships, oceangoing and inland waterway passenger ships and selected Technical Fleet types, proved to be the correct approach. Additional enhancements in utility value were realized by systematically applying construction and operational experience from one generation to another and once again in a maximal way the technological conditions for efficient series production were repeatedly guaranteed. For example, because of the cooperation between the USSR and specialization it was possible to produce and initial, respectively, in internationally unique large series, the following:

- 1,060 luggers;
- 310 fishing seiners;
- 201 Atlantic supertrawlers;
- 185 Atlantic type catching and freezing ships;
- 171 medium trawlers;
- 140 oceangoing tugs;
- more than 150 oceangoing and inland waterway passenger ships;
- 61 Polar/Crystal I/II refrigerated ships with a cargo capacity as high as 14,000 m³;
- more than 30 Atlantic 488 type factory trawlers;
- 24 Mercury type I/II, Saturn full container ships, and
- 71 CBK type inland waterway and coastal container ships.

The more cost-favorable large-scale series production is based on comprehensive rationalization of the shipyards, which is optimally adapted to the particular series type and to the manufacturing lines in the supplier enterprises, and lowers the shipowners' acquisition costs.

In 1988 GDR shipyards delivered 37 new oceangoing vessels with register tonnage of 304,284 GT. For GDR shipbuilding Lloyd's Register of Shipping, London, shows first place for fishing ships, third place for general cargo ships and sixth place overall in international shipbuilding.

Ship repairs annually amount to about M 600 million. Six dry-docks, including one which can handle ships with a maximum capacity of 75,000 tons, and special repair sectors with experienced worker collectives, on average annually repair about 200-300 ships. Moreover, the combine's balance of goods and services includes consumer goods, such as sporting and utility boats, cooling appliance furniture, cupboard walls, automobile trailers, and capacities to meet the people's needs amounting to a total of M 300 million per year.

Today, 55,000 members of the Shipbuilding Combine—9,800 of them have advanced school or technical school training, and 2,800 are active in research and development—characterize the production capability of GDR shipbuilding which is solid and, by reputation, reliable. Guaranteed jobs, construction programs which are coordinated over long periods of time, comprehensive measures for initial and continuing training, and differentiated wage and social measures resulted in the development of experienced, efficient skilled workers who can be utilized in a flexible manner in the various professional groups.

Since 1 January 1979, the GDR's shipbuilding industry has been organized as a combine, to which belong 18 state owned enterprises—located predominantly in the GDR's northern bezirks. The capacities of five ocean shipyards, two inland shipyards, and nine specialized enterprises for building ship machines and installations and the Rostock Shipping Business as the responsible foreign trade operation are concentrated in this organization which is managed directly by the VEB Neptune Shipyard, Rostock—main enterprise of the Shipbuilding Combine (Tables 7 and 8).

Table 7.
Shipyard Production Program and Capacities

| Shipyard | Statistics on Development and Capacity | Production Program |
|--|--|---|
| "Neptun" Shipyard, Rostock, main enterprise of the Shipbuilding Combine (NW) | Established in 1850, 8,500 employees, three building slips, two drydocks | New shipbuilding (MPC 900 multipurpose container ship, ocean bucket chain dredge); ship repairs |

Table 7.
Shipyard Production Program and Capacities (Continued)

| Shipyard | Statistics on Development and Capacity | Production Program |
|--|---|--|
| Warnow Shipyard, Warnemuende (WW) | Established in 1946, 6,600 employees, four building slips, two drydocks | New shipbuilding (Saturn, Warnow CS 1200 full container ships, Passat multi-purpose container ships, lo/ro 18 I); ship repairs |
| Mathias-Thesen Shipyard, Wismar (MTW) | Established in 1946, 6,800 employees, three building slips, one drydock | New shipbuilding (large railroad ferry, UCC 14/14 M universal container ship, Crystal II refrigerated transport ships); ship repairs |
| People's Shipyard, Stralsund (VW) | Established 1948, 8,500 employees, one lowering facility, one launching dock, one drydock | New shipbuilding (Atlantic 488 factory trawler); ship repairs |
| Elbe Shipyards, Boizenburg/Rosslau (EWB/R) | Established in 1793-1866, 3,200 employees, special slip facility | New shipbuilding (302/302M inland waterway passenger ships, SKS 350 special refrigerated ships, container-inland coastal ships) |
| Yacht Shipyard, Berlin (YW) | Established in 1898-1948, 1,500 employees, slip facility | New shipbuilding (pushing ships, barges, tugs, sport, and utility boats) |

Table 8.
Shipbuilding Combine Supply Enterprises

| |
|--|
| VEB Diesel Engines, Rostock (DMR) |
| —complete ship powers plants |
| —two-cycle diesel engines |
| —fixed and variable pitch propellers up to 15,200 kilowatts |
| —gears, lateral thrust propellers |
| VEB Johannes Warnke Ship Electronics, Rostock (SER) |
| —electrotechnics/electronics product complex |
| —device and facilities complex for navigation and ship operation |
| —heavy current power generating, power distribution and control facilities |
| VEB Klement-Gottwald Works, Schwerin (KGW) |
| —ship operating equipment |
| —transshipping facilities |
| —fishing equipment |
| VEB Automated Refrigeration, Berlin (KAB) |
| —refrigeration equipment |
| —freezing equipment |
| —provisions refrigeration equipment |
| —air conditioning |

Table 8.
Shipbuilding Combine Supply Enterprises (Continued)

| |
|--|
| VEB Shipyard, Oderberg (SWO) |
| —hatchway covers |
| —special transshipping equipment |
| VEB Ship Equipment Construction, Barth (SAB) |
| —fish meal and fish oil facilities |
| —boat lowering devices |
| —environmental protection equipment |
| —ship repairs |
| VEB Max Matern Foundry and Machine Building, Torgelow (GMT) |
| —cast parts, including propellers |
| VEB Shipyard, Rechlin (SWR) |
| —life boats and work boats |
| —ship equipment |
| —standard parts |
| VEB Shipbuilding Industrial Cooperative Group, Rostock (IKS) |
| —air conditioning and ventilation equipment |
| —installation components |

Research, development, production, cooperation and sales are shaped in terms of the basic economic design and market requirements. In the past few years 30- to 40-percent annual renewal rates were realized. At present the following ship types are being prepared and/or produced:

| | |
|---|------------------------------|
| —CC 1100 full container ships | 14,000 dwt/1,100 TEU |
| —Passat type multipurpose container ship | 18,060 dwt/930 TEU |
| —Warnow CS 1200 type container ship | 16,000 dwt/1,100 TEU |
| —MPC Neptune 900 type multipurpose container ship | 17,165 dwt/928 TEU |
| —Lo/ro 18 I/II type multipurpose freighter | 18,000 dwt/710 TEU |
| —UCC 14/UCC 14M type universal container carrier | 14,100 dwt/1,020 TEU |
| —SKS 350 special refrigerated ship | 1,025 dwt/26 TEU |
| —double deck railroad cargo ferry with 1,500 meters of wide-gauge track (1,520 mm) | |
| —Atlantic 488 type factory trawler | |
| —Crystal I/II type refrigerated transport ship | 13,300/14,400 m ³ |
| —Oceangoing bucket chain dredge | 750 m ³ /hour |
| —Type 302/302M inland waterway passenger ship for 332 and 350 passengers, respectively, in cabins | |
| —pusher boat | 103 kilowatts |

In contrast to many foreign shipbuilding enterprises, the GDR's shipyards came through the shipbuilding crisis unscathed. There are two main reasons for this: On the one hand, concentrating and adapting GDR shipyards to the USSR's market guaranteed long-term and efficient building programs (at times the Soviet Union's shipping companies ordered up to 90 percent of the new ships and thus assured high level utilization of capacities). On the other hand, the GDR shipbuilding industry, even during the years when international shipbuilding showed a boom situation (end of the 1960's and beginning of the 1970's), avoided being misdirected into extensive development of capacities. The GDR shipyards gave priority to increasing their efficiency by ongoing measures to rationalize and modernize series production, which in any event involves a decreasing cost scale, and by consistently moving into specialized shipbuilding. Because of guaranteed minimum utilization and efficient production it was repeatedly possible to accept export orders from Western partners and developing countries, respectively. On the one hand, it was possible to offer customers attractive prices for ship types with proven track records, on the other hand, full utilization of shipyards also meant a lucrative business for them.

Nowadays there are not very many shipyards in the world which build ships day in and day out. There are even fewer which know years in advance what is to be built. The GDR's shipbuilding industry is one of these few. Their balance sheet for 1989 is one of full utilization, a guaranteed base of long-term orders, and new production volume amounting to over 30 oceangoing vessels with high quality special ship tonnage. Capacity development calls for producing in the next five years cargo, special, and fishing ships as well as inland waterway ships with utility values which are competitive on the world market, using new cost-reducing technologies and shorter preparation and building times. A characteristic feature will be the fact that the shipyards' production profile will be shaped with greater variability with a high degree of renewal in order thus to be able to better accommodate dynamically changing market conditions.

Fishing Industry

The development of the fishing industry is closely linked with the GDR's economic development in the 40 years of its existence, for after all the VEB Fishing, Sassnitz, was established in 1949 and the VEB Fishing, Rostock, came into being in 1950. Even if the fishing industry is not among the major industries which define our republic's economic strength, it nonetheless does fulfill an important supply function which historically has undergone varying assessments. In the first years after World War II, fishing, which was possible almost exclusively in the Baltic Sea, in adjoining haff waters and in inland bodies of water, had to help alleviate hunger. A limiting factor on coastal fishing production potential was less a matter of the available resources than the catching, processing, and transport capacities which had been destroyed.

With per capita consumption of seven to eight kilograms of finished product per year, the fishing industry's contribution in the supply area seems modest today when compared to the meat industry (more than 100 kilograms per year), but it does match the central European standard.

After 40 years of development the GDR's fishing industry is characterized by a diversity which is scarcely typical of any other branch of the GDR economy. Catching, processing, fish breeding, intensive fish keeping, transport, refrigeration and storage processes, extensive foreign and domestic trade activity, as well as industrial processes for building rationalization means and research specific to an industry are essential for guaranteeing the supply function in a comprehensive way. The establishment of the VEB Fish Combine, Rostock, in 1979 and the subsequent management of enterprises via the VEB Fish Catching, Rostock (1984) main enterprise, was therefore an historically necessary step toward guaranteeing uniform economic management of the industry's comprehensive reproduction process. The VEB Fish Combine, Rostock, includes the catching enterprises in Rostock (main enterprise) and Sassnitz, the large processing enterprises in Rostock Bezirk (Sassnitz, Rostock, and Barth), the processing enterprises in Schwann, Magdeburg, Pirna, Plauen, Erfurt, Wilhelm-Pieck-Stadt Guben, Leipzig, the VE Fish Trade, Berlin, the Fishimpex foreign trade enterprise, Rostock, the engineering office for rationalization in Stralsund, the metal processing enterprise in Richtenberg and the Institute for Ocean Fishing.

In the 40th year of the GDR's existence our republic's fishing industry is on the verge of introducing the principle of self-financing. This will transform the combine level even more solidly into the main management and major decisionmaking level. Proven management methods, such as product group work, guiding fishery producer cooperatives, implementing a system of balancing fish and fish products, industrial input and output calculation, computer-assisted comprehensive fleet management, and other industry-specific management methods, which must be judged as an independent contribution to the development of socialist management techniques, must be further developed under the new conditions in order to balance out negative effects of international fishing-policy controls by means of comprehensive intensification of all processes.

From the perspective of obtaining raw materials, the GDR's fishing industry includes ocean, coastal, and inland fishing. Fishing at sea (ocean and coastal fishing) is the backbone of the supply of fish products for the people. In 1988 it guaranteed about 90 percent of total production, of which almost two-thirds was realized by long-distance fishing out of Rostock (Table 9). The VEB Fish Catching, Rostock, with a total catch of 156,800 tons in 1988, is the decisive catching enterprise.

A permanent turning point for the fishing industry came when most coastal nations introduced economic zones

and the third UN Law of the Sea Conference recorded them as legal; as a result in respect to fishing the GDR was given the status of an economically disadvantaged country. Important fishing grounds for herring and mackerel off the U.S. coast, and also the profitable round fish fishing grounds off Iceland, Newfoundland, Greenland, and in the Barents Sea were no longer accessible to GDR long-distance fishing. The volume of fish dropped between 1975 and 1978 from 380,000 tons to 200,000 tons, that is, almost 50 percent.

This necessarily involved substantial economic disadvantages for GDR long-distance fishing, which in the 1960's made a substantial contribution to increasing the size of the catch by expanding its long-distance fishing fleet (Table 11) and accomplished important intensification by:

- increasing the share of productive time planned for ship operating time by changing crews;
- combining the catching, processing, and transport processes in the context of flotilla fishing;
- using new catching technologies (knotfree nets, fish-locating facilities, radar, and so on), and
- international cooperation in supplying the fleet and removing waste.

Effects of cost disadvantages because of high fixed costs, yet a decreasing catch volume, additional costs to acquire catching rights and quotas could not be equalized again, even though the fleet's catch volume increased because it was used in catch areas which had been little developed from research, located off the coast of West Africa, in the South Atlantic in Antarctic waters. Table 10 shows that ocean fishing produced a total catch in 1988 which was only 43.3 percent of that of 1975, that the total catch of redfish and herring declined to one-half, and the codfish catch was only 11 percent and mackerel only 37 percent of the comparison year.

Table 9.
GDR Catch Volume in 1988 by Catching Enterprises
(in 10³ tons)

| | Tons | Percent |
|---------------------------------|-------|---------|
| Ocean and coastal fishing | 228.6 | 90.4 |
| of this: Fish Catching, Rostock | 156.8 | 62.0 |
| Fish Catching, Sassnitz | 24.7 | 9.8 |
| FPG | 47.1 | 18.6 |
| Inland Fishing | 24.4 | 9.6 |
| Total Catch | 253.0 | 100.0 |

Table 10.
Catch Volume Development in GDR Ocean Fishing
from 1961-88 by Major Fishing Regions
(in 10³ tons)

| | 1961 | 1965 | 1975 | 1988 |
|--------------------|------|------|-------|------|
| Northwest Atlantic | 28.8 | 92.4 | 113.2 | 27.6 |

Table 10.
Catch Volume Development in GDR Ocean Fishing
from 1961-88 by Major Fishing Regions
(in 10³ tons) (Continued)

| | 1961 | 1965 | 1975 | 1988 |
|--------------------------------|-------|-------|-------|-------|
| Northeast Atlantic | 59.7 | 86.8 | 128.7 | 23.9 |
| Baltic Sea and Coastal Fishing | 34.8 | 42.2 | 105.4 | 66.2 |
| Northwest Africa | — | — | 1.9 | — |
| Pacific | — | — | 12.2 | — |
| Southwest Africa | — | — | — | 24.8 |
| Southwest Atlantic | — | — | — | 9.2 |
| Total Catch | 122.0 | 221.4 | 361.4 | 156.8 |

Table 11.
Total Catch Structure in Ocean Fishing for
Selected Kinds of Fish (in 10³ tons)

| | 1975 | 1988 |
|-------------------|-------|-------|
| Herring | 108.8 | 53.5 |
| Mackerel | 58.2 | 21.6 |
| Codfish | 47.8 | 5.3 |
| Redfish | 35.1 | 18.5 |
| Halibut (black) | 27.5 | 3.0 |
| Sprats | 16.7 | 1.2 |
| Corseted mackerel | 0.1 | 23.6 |
| Squid | 0.9 | 9.2 |
| Others | 66.3 | 20.9 |
| Total Catch | 361.4 | 156.8 |

New kinds of fish, such as corseted mackerel, small sardines, and blue whiting, are part of today's array of available fish. Since in the case of new kinds of fish the market first had to be developed and processing it with conventional equipment was in part no longer possible with efficiency and the increasing distance to the fishing sites would have involved unjustifiably high transport costs, the production cycle had to be larded with foreign trade processes. Buying and selling raw goods on the word market became an integral element in catch planning. Thus, only a part of the GDR fishing fleet's catch volume is directly related to supplying the GDR.

These conditions caused an economic reevaluation of coastal and inland fishing. An important component of GDR fishing is coastal fishing which was being done cooperatively by private fishermen in fish trap and net associations and in 1954 became socialist in structure. The first fishing producer cooperative (FPG) was established in 1954, in 1957, 350 cooperatives were in existence whereas today, because of specialization and concentration, there are 27 large FPG's, including five cutter cooperatives. About 3,050 members and employees

work in the 27 FPG's, accounting for a more than than 20-percent share of the total catch (excluding inland fishing). The quantities brought in amounted to 47,100 tons (1988) and were 80 percent herring. In Baltic Sea fishing the cooperatives work closely with the state-owned enterprises. In part they have their own processing capacities for high quality fish products and are beginning to get involved in fish breeding. Thus, the cooperatives are utilizing the resource base of the Baltic Sea which today at 30 percent of the total volume represents a guaranteed national resource to supply the people.

Inland fishing has likewise undergone a reevaluation. With a volume of 24,400 tons it is an important source for our own raw material resources (by way of comparison VEB Fishing Catching, Sassnitz, 24,700 tons). The intensive keeping of carp (57.1 percent) and trout (28.4 percent) determine the production profile. Since 1970 (13,600 tons) inland fishing increased production substantially. Inland fishing and Baltic Sea fishing are, however, unable to meet the GDR's requirements for raw fish. Limited natural production opportunities, with consideration of the burden on the bodies of water, will not permit production in excess of 35,000 tons on a long-term basis. Baltic Sea fishing in its own zone is also limited by quota regulations. Inland and coastal fishing can guarantee only a 40- to 45-percent share of the requirement volume of raw materials. Thus, long-distance fishing and fish imports will in the future also be very important for supplying the people.

Fish processing is done on land and at sea. Given the conditions of long-distance fishing in the context of flotilla fishing, the first stage in processing had to be shifted to ships in order to guarantee the quality of what was taken in and to reduce transport volume. The original fresh fish hauls made by small luggers and trawlers operating autonomously declined. Linked with this was:

- fleet reproduction of various types of catching and processing ships, transport and processing ships, refrigerated and transport ships (KTS Breitling in 1968, KTS Luetten-Klein in 1971, KTS Lichtenhagen in 1978), and
- concentrating management activity on investment activity and fleet control in large-scale ocean fishing.

Although in ocean fishing the essential shares of the combine's basic assets are concentrated and these processes are very asset-intensive, the cutters of the VEB Fish Catching, Sassnitz, must now be reproduced and the processing industry rebuilt and modernized because today there is a growing trend toward realizing more than two-thirds of the fish industry's finished goods inventory via the processing industry. Production of canned goods predominates in fish processing. Demand and improving the fish raw material now require paying more attention to producing kitchen-ready fillet products and other new kinds of production, for example,

using biotechnology to produce enzymized salt fish products. Rebuilding the processing industry in the bezirks is on the agenda in order to guarantee production located closer to the market. The goal of the more than 15,100 working people in the fishing industry is to produce in the coming decade, too, an inventory of 122,000 to 127,000 tons of finished goods, with increasing quality and in a way which meets demand.

HUNGARY

Planning Office on 1990 Economic Program

90EC0198A Budapest MAGYAR HIRLAP
in Hungarian 29 Dec 89 pp 1, 7

[Unattributed article: "Invigorating Entrepreneurship and an Active Social Policy"]

[Text] At its December session, Parliament approved Hungary's 1990 economic policy program and authorized the government to implement its plan of economic tasks assigned for the duration of its mandate.

The Hungarian economy is struggling with an increasingly deep structural crisis. Its performance has barely increased for a long time: Some obsolete techniques and technologies which waste materials, energy, and labor are used widely; there is a high ratio of uneconomical activities on the one hand, and profitable and marketable, but non-definitive entrepreneurial ventures on the other. The deterioration of the balance has reached critical proportions. In 1989 it significantly increased indebtedness because of a deficit in the convertible currency balance of payments, and the ruble surplus swelled. The budgetary deficit was normalized as a result of a mid-year reorganization. Bank resources are committed to an unbearable degree to essentially insolvent enterprises. Under such circumstances and market conditions the inflationary pressure is great. Deterioration of external economic positions holds out the specter of Hungary being swept to the periphery. Keeping in step with global economic processes demands a fundamental structural transformation and market change. The level of tolerance manifested by the population has sunk to a critical level. Increasingly broader strata feel an increasingly stronger need to stabilize and improve their situation.

Only a firm change in the economic policy direction, and the beginning of a comprehensive modernization of the economic system, will provide a chance for restoring the national economy on a new, viable developmental course. The program is aimed simultaneously at maintaining the functionality of an economy struck by crisis, and at the establishment of evolutionary conditions. Efforts must be concentrated in the following main areas:

- The way the national economy performs may be improved only if structural adaptation to global economic processes gains strength both in production and in sales. This cause may be advanced decisively by consciously strengthening market pressures, and by

helping competitive entrepreneurial ventures. This may lead to the improvement of balance conditions in the longer term, and also to the relaxation of inflationary pressures.

- The country's international solvency must be preserved. In order to accomplish this, both the convertible currency deficit and the ruble surplus must be reduced. In the short term, balance requirements are very hard barriers in our growth path.
- Even under conditions of scarce resources, special attention must be paid to the human sphere. Education, science and health care development, and efforts to preserve the human environment may contribute to a situation in which we have internationally competitive professionals and managers. Along with the acceleration of economic structural transformation, differences in our income and living conditions will necessarily increase, nevertheless these differences must not cause unbearable living conditions. The need calls for an effective employment policy and an active social policy—above all for targeted measures, and subsequently for the development of more rational and more fair distribution systems.

The continuous streamlining of these goals—from legislation to implementation—demands firm, predictable state management activities. At the same time, the evolution of citizen, entrepreneurial, and self-inspired initiatives, and the effective functioning of interest groups and of a democratic political system are fundamental conditions for realizing the program. All of this, along with rational compromises, also requires the acceptance of economic and social risks, tensions, and conflicts that are greater than before.

(1) Changes in the system of economic conditions serve the purpose of developing the definitive elements of the market economy.

Significant advances are made in improving conditions for entrepreneurship. The healthy expansion of private and foreign owned property and ownership forms based on association is supported by the establishment of institutional, legal, and financial conditions related to the corporate management of state property and privatization. Laws concerning state enterprises, cooperatives, and land must also be changed in the course of the year. The primary beneficiaries of profit withdrawals at a reduced rate are corporations and small enterprises. They favor mainly the investment of profits. The programmatic financing of entrepreneurial incentives will be accomplished through the establishment of an Entrepreneurial Fund. Investment companies and special credits will also help to provide access to capital. State support of development projects will become more modern and more efficient. The sphere of action available to entrepreneurial ventures will be expanded by the further liberalization of prices and imports, and by the elimination of unnecessary legal requirements.

Various steps taken in the process of building the market serve to enhance global market opening and reorientation, and place the economy under a higher pressure exerted by the market. An equilibrium in the ruble balance of payments may be achieved in the near future only by reducing the level of mercantile trade and only along with the constraint of changing markets. This will be supported by the government's stringent financial regulations and commercial measures, and through the central support of enterprises capable of accomplishing strategic change. An additional, significant proportion of imports subject to settlement in convertible currencies will be freed from under import restrictions. (Compared to 40 percent in 1989, the proportion will be 70 percent, including a majority of base materials, in addition to machinery and parts.) This will serve as a fundamental incentive for internal market competition, and will be accompanied by increased operating capital imports, a modernized export competition system, and appropriate exchange rate policies to increase economical exports.

The development of market conditions will be assisted by the establishment of still missing institutions (the exchange, the securities law, the competition law, etc.). Domestic competition will be strengthened by a broader scope of uncontrolled prices, and by a substantial reduction in price subsidies. The state will retreat from protecting activities and enterprises which manifest competitive weaknesses, it will initiate a breakthrough with regard to the liquidation processes of losing and insolvent enterprises, and it will support similar measures implemented by banks.

All of this is supported by stringent financial policies. Along with a large scale reduction of expenditures, the state budgetary deficit will also decline (10 billion forints, at most), and the borrowing authority of the state sphere will be well below the 1989 level. Along with the effective stimulation of savings by enterprises and by individuals (the assurance of positive real interest rates), and the filtering out of insolvent enterprises, general credit restrictions may be relaxed, and the entrepreneurial preparedness of enterprises and banks may thus develop.

Long-term relief of strong inflationary pressures now present in the economy may be obtained as a result of structural transformation, market development, and income regulation based on stringent fiscal policies. Central market organizing measures are also taken to prevent runaway inflation (interventionist imports, the operation of commodity exchanges, an increase in the number of persons involved in the marketplace, etc.), and similar effects may be expected from the streamlining of wages and performance, based on a system of agreements developed in coordination with interest groups.

(2) A substantial reduction in the convertible currency balance of payments deficit is the condition on the basis of which the country can preserve its international solvency and creditworthiness. It must not exceed the

\$550 million level. Within this reduction, we must achieve a turnaround in foreign tourism: We must produce a surplus of about \$200 million. This can be accomplished by introducing stringent measures in regard to individual foreign exchange supplies and private imports, and by developing an aptitude to receive foreign tourists.

An additional increase in the foreign trade surplus may evolve in the framework of expanding exports and imports. In addition to the above-mentioned changes in the system of economic conditions, this may be enhanced by active economic diplomacy (by continuing to call for the cessation of discriminatory commercial measures, the mutual guarantee of investments at the state level, the establishment of regular, organized relations with integrationist organizations, by expanding cooperation in professional training, etc.). We must also satisfy more stringent qualitative requirements in order to increase exports. This also requires producers and merchants to supply a richer choice of products, cooperation at the capital and labor markets, and the development of relationships which aim for integration.

In regard to the balance of payments subject to settlement in rubles, it is not in our interest to permit the evolution of a substantial surplus which cannot be spent elsewhere or later. Since only a limited number of imported goods needed in Hungary are available from our partners' markets—moreover it is likely that next year the availability of such goods will further decline—balance of payment requirements demand a large scale (about 20 percent) reduction in our exports. Due to the partner countries' economic difficulties similar to ours, one cannot count on expanding exports in subsequent years either. In terms of our imports we find that we may run into difficulties even with regard to satisfying our energy needs. Selectivity in mercantile trade will be achieved within a few years as a result of settlements made in convertible currencies and of trading at actual world market prices. Next year's forced constraint of mercantile trade must be accomplished in part with this in mind. The direct presence of producer enterprises in the marketplace must be enhanced. Beyond market and financial mechanisms (constraining the automatic conversion into forints of export accounts receivables, and the introduction of the ruble exchange) and beyond barter transactions, however, a stringent export licensing system with regard to trade transacted in the framework of contingents must be phased in during the year, gradually, depending on imports. Similarly, competition for export opportunities also becomes a necessity.

(3) First and foremost we are being forced to change our production structure by making energy costs commensurate with the world market, a broadening import competition, the narrowing of the CEMA market, the discontinuation of subsidies, and by rendering payment discipline substantially more stringent. In the field of coal mining, only that part of production may be continued which is competitive vis-a-vis the costs of

substitute energy imports. Conditions of an open market economy are evolving in practice in the field of crude oil exploration and processing, as well as in the machine industry. A substantial part of machine industry and light industry enterprises are fundamentally shaken by the decline of opportunities for exporting in exchange for rubles (in some branches the decline amounts to between 30 and 40 percent). Efficient exports to convertible currency markets may be the moving force behind the transformation of the processing industry. All of this will be accompanied by a large scale rearrangement and differentiation of production and income. A substantial number of enterprises have already conducted themselves consistently with market changes; an increasing number of conforming enterprises would improve their performance in response to constraints and incentives. Opportunities for changing the market are expanded by using the financial resources set aside for export development competition, the Regional Development Fund, part of the state capital provisions, the Bankruptcy Liquidation and Reorganization Fund, and the Entrepreneurial Fund, as well as by central resources earmarked for privatization, and by foreign operating capital and loans. Nevertheless, the liquidation of activities and enterprises which manifest long-term insolvency, and of viable enterprises which do not have a realistic strategy, is unavoidable.

The food economy is forced to accomplish structural transformation consistent with market requirements, primarily because of large scale reduction in subsidies, and because of the fact that free pricing is being made to dominate. Domestic demand is limited, product specific export subsidies are becoming more moderate in both the Eastern and Western trade relations. On the other hand, incentives to pursue exports subject to settlement in convertible currencies are increasing with regard to product categories whose efficiency rate is better than average. Improved efficiency may create the most tensions, and stimulate substantial changes in the field of animal breeding (and even within that in a few areas.) Preservation of the efficiency of food industry activities calls for vertical integration. Regulations continue to include elements which recognize limited opportunities for earning income. The multi-year program aiming for an improvement in the competitive opportunities available to farms finding themselves in critical situations continues. Grants to be provided to farming activities conducted on land of worse than average quality will continue, their developmental projects will be supported in an unchanged manner, in part from support funds allocated for backward areas. The new subsidy system for producer investments stimulates the achievement of greater efficiency in making investments.

Along with an expected forceful differentiation, the national product as a whole will not increase, the total volume of agricultural products will stagnate and may decline with respect to industry. By now, however, losses incurred as a result of exchanging inefficient production cannot be managed otherwise.

(4) Within the economic infrastructure, opportunities for advancement exist in the fields of telecommunications, and in regard to the infrastructure of research and development [as published]. In other areas, the unfavorable trends may only be slowed down. Improvement may be expected next year in the area of environmental protection, mainly in critically burdened cities and areas confronting multiple environmental damages. The program designed to assist and enhance the bringing up to par of backward and depressed areas will continue and will be supplemented.

In the field of transportation, reconstruction of the electrified railroad track between Budapest, Gyor, and Hegyeshalom, reorganization of the railroad cargo management system, and modernization of railroad junctions, yards, and border stations will continue. There will be opportunities to build the M0 and M1 highways, as well as to build some bypasses around cities. There will be price and tariff increases; revenues and subsidies will enable a differentiation in the level of service provisions. Public road fund resources will increase. Initiatives were made for the attraction of foreign capital and foreign loans (e.g. for purposes of the Lagymenyos bridge over the Danube, the Metro line between South Buda and Rakospalota, and for the modernization of the national road and railroad network.)

Resources for the rapid reconstruction of telecommunications will be enhanced by foreign loans, in addition to higher fees. Reorganization of the postal service provides an opportunity for the increased attraction of Hungarian and foreign capital. The number of main telephone stations and extensions will be increased at a rate faster than before, by about 80,000 units.

(5) Domestic consumption will stagnate as long as the income production of the people's economy stagnates. Within this, the available opportunities must be concentrated on investments which serve as foundations to transform the economic structure. Growth will be dynamic only with regard to enterprise investments and in the private sector (6-8 percent); stronger income differentiation and capital flow demands investments and developmental activities that are efficient and innovative. (Disregarding the expansion of financial institutions,) communal consumption must be reduced further, and to a significant degree in 1990. This reduction exerts the greatest impact on defense expenditures.

(6) Individual real income and national consumption may be less in 1990 than in the previous year. Domestic consumption will increase, nevertheless it is likely that foreign purchases will substantially decline. In response to entrepreneurial development and to the further liberalization of the importation of production related items, consumer goods supplies may improve, and the balance between supply and demand may be preserved.

Consumer price levels will increase in excess of this year's consumer price levels (by 19-20 percent according to calculations) mainly because of increased producer

prices. A higher than average increase will be experienced in the prices of basic goods, mainly as a result of price changes to be introduced at the beginning of the year in regard to housing, public utilities, certain postal services, personal transportation and fundamental food products, and, following the winter season, energy resources. In response to measures decisively of a central character (e.g. tax increase) the prices of some goods that constitute public necessities (e.g. consumer goods) will also increase at the beginning of the year. Nominal income may altogether increase by an average of 17 percent. Within that, significant wage measures involving health care and educational workers will be introduced. The implementation of an average of 16 percent wage increase in the enterprise sphere will be possible only as a result of further developing the system and mechanism through which interests are reconciled, and by including mutual guarantees of self-restraint. Consistent with balance requirements, as a result of wage and price changes, one must count on a further decline in real wages amounting to between two and 2.5 percent.

Income differentiation is unavoidable amid a changing economic structure and market conditions. The National Assembly approved a much higher funding level for social policy measures than it did in the previous year. Increased funding will serve primarily to compensate for increased housing expenses, but this also provides an opportunity for full family supplement coverage, as well as a larger central support of social policy measures based on individual family situations.

On the average, pension increases offset 90 percent of the price increases related to basic products and services. Within the framework of overall pension increases, however, larger amounts will be granted to persons who retired earlier, and to persons receiving small pensions. A lesser increase will be given to those who retired later or receive relatively high pension benefits. With regard to family supplements, the raise maintains the approximate real value of this provision. The minimum level of child care support payments will also be increased.

In regard to employment policy, we must prepare ourselves for a greater work force mobility and for establishing existential security for a larger number of persons becoming temporarily unemployed. (Forecasts predict 50,000 unemployed, a figure that represents almost one percent of all employed persons.) The amount available from the Employment Fund will be substantially larger than last year, and some additional resources will also contribute to help the establishment of new workplaces. In addition to expanding retraining programs, there will be opportunities for providing relocation assistance and severance pay in critical areas. The job situation of those just starting their careers will also be ameliorated by the apprentice program and by entrepreneurial loans.

The human infrastructure situation also influences the population's living conditions as well as economic development. In this regard, 1990 opportunities exist for

noticeable improvements in the specially significant fields of education and health care.

Crowding in elementary and intermediate schools will be reduced as a result of completing 600 classrooms. Churches will take a greater part in operating schools than at present, and opportunities for the establishment of private schools will also exist. A standard state subsidy system will exist, independent of who maintains the schools. The institutional network for the education of nationalities is expanding as a result of several ongoing construction and reconstruction projects. The independence of schools will increase. Educational materials will be more modern. The number of persons admitted to institutions of higher education will increase substantially (by 20 percent). The material conditions for education are improved by the large number of buildings to be taken over from the party and from social organizations. As part of the higher education development funds, some 700 million forints are earmarked for the initiation of new programs, primarily for language training, the development of international relations, the teaching of developed technology, and the learning of up to date knowledge of finances and banking operations. As a result of ongoing negotiations, World Bank resources may help raise the standards of education and continuing education.

In 1990, the development of a new, efficient health care delivery system based on insurance principles must begin. As the first step of this process, beginning in January social security will take over the financing of the operating costs of healing and preventative care. Further experimental foundations of reform will continue to be established in the course of the year, including a computerized information system. Specialized programs to conquer the most frequently occurring illnesses also serve to improve the standards of health care delivery. The provision of equipment and instrumentation continues to be a priority task.

Based on a National Assembly decision, housing management reform will also begin in 1990. An average 35 percent increase in rental fees and the introduction of variable mortgage interest rates, along with a reduced budget, provides a basis for separate support to be granted to young persons acquiring their first apartment.

Risks, Dangers

Next year's economic policy program includes a number of risks and sources of danger. These include primarily the successful achievement of reducing exports subject to settlement in rubles; the employment problems, the managing of the wage situation, and the control of inflation; as well as budgetary and monetary management consistent with the requirements for a balance, but at the same time in a manner so as to enhance efficient business management.

With its available means the government focuses on the successful implementation of the above described economic policy program, and on the reduction of the

attendant risks, nevertheless this alone will not suffice for the satisfactory performance of the related tasks. Preparedness to cooperate on the broadest scale in the course of implementing the program on part of all persons active in the economy—consistent with their own interests, and with an understanding and acceptance of the determinant conditions and limitations—is also needed.

The main endeavor of business units should be to increase the income producing ability on the basis of improved efficiency, and the establishment of a situation in which they can prove their viability by using opportunities for the stimulation of entrepreneurship, even under changing market conditions and declining or discontinuing state subsidies. Broad strata of society must temporarily coexist with less favorable conditions in the interest of future evolution, because at present we are only at the beginning of the path that leads out of the crisis. By using the means described in the economic policy program, the government actively helps entrepreneurial ventures and ameliorates social tensions that emerge in the neediest strata of the populace. In addition to performing their main function of calling attention to increasing conflicts, interest groups must be actively involved in activities that serve to organize the situation, within the framework of the economic sphere of movement. Consistent conduct on the part of the government, and a broad social consensus jointly may render possible the resolution of accumulated concerns, and the establishment of conditions for evolution.

1990 Forecast for Leading Economic Indicators

| | Volume change compared to the previous year in percentages |
|---|--|
| Gross domestic product (GDP) | 0-0.5 |
| Industrial production | -1-0 |
| Food economy production | about 0 |
| Individual consumption on a national scale* | -3 to -2.5 |
| Total individual consumption** | 0.5-1 |
| Per capita real wages | -2.5 to -2 |
| Per Capita Real Income | -1.5 to -1 |
| Investments | about 2 |
| Enterprise | about 8 |
| Private | 5-6 |
| Central | -11 to -10 |
| Exports | |
| Ruble trade relations | about -20 |
| Non-ruble trade relations | 8-9 |
| Imports | |
| Ruble trade relations | about -4 |
| Non-ruble trade relations | 5-6 |
| Central budget deficit (in billions of forints) | -10 |

**1990 Forecast for Leading Economic Indicators
(Continued)**

| | Volume change compared to the previous year in percentages |
|--|--|
| Convertible currency payments balance (in millions of dollars) | -550 |
| Ruble payments balance (in millions of rubles) | 0-50 |

*Consumption by Hungarian citizens both in Hungary and abroad

**Consumption by both Hungarian and foreign citizens in Hungary

Enterprise Officials Discuss Privatization

*90EC0199A Budapest NEPSZABADSAG in Hungarian
30 Dec 89 p 8*

[Interview with Adam Angyal, president of Ganz Danubius; Matyas Jakab, president of the Machine Tool Industry Works; and Janos Krokos, president of Budapest Holding, by Szilvia Hamory: "How Could an Owner Be Created for a State Enterprise?"; date and place not given]

[Text] Privatization is the only passable way toward a market oriented economy and for creating real owners, so they say. But how could an owner be created? To whom should state property belong? According to the proposal concerning the state trust fund, this fund would deal with state property by designating so-called property management organizations for the sale and management of property. Specific proposals were developed by the Ministry of Industry with regard to enterprises which should be returned under state administrative supervision, even before the so-called "squandering" of national property and spontaneous privatizations continue.

We asked two enterprise presidents, Adam Angyal from Ganz Danubius Shipyards, and Matyas Jakab from the Machine Tool Industries Works, as well as Janos Krokos, president of the Budapest Holding trust fund established by financial institutions and the Ministry of Industry, to express their views and perceptions.

[NEPSZABADSAG] You are outraged by, and objecting to, being placed under state administrative supervision and being owned by the property management holding corporation. Why?

[Jakab] I am 58 years old; I am part of the "protected" age group, so perhaps you will believe me if I say that I am not holding on to my desk. Nevertheless, due to my age I have seen many things, particularly on the "contributions received" side of the state budget, and I have seen some theoretically promising perceptions that have failed in practice. In this case I feel once again that they want to experiment with the Hungarian economy on the basis of an idea conceived in a test tube. This may be a subjective approach to the issue, nevertheless here we are just about to consummate several joint enterprise agreements which have resulted from several decades of professional and human relations. I am amazed to hear

when they say that property management centers need not be tied to certain trades, they need not have any specialized knowledge, all they need to have is profit motive. This is hauntingly similar to the mentality of 40 years ago when a large portion of highly qualified professionals were swept out on the basis of family background. At this point the enterprise managers are the scapegoats. I must say, however, that most of these enterprise managers are decent people; all they did was to adapt—primarily in order to keep their enterprises alive—to the circumstances and opportunities.

[Angyal] The trust fund is a typical example of attempts to salvage power. But in this instance it is not management that is attempting to salvage power. The ministries that became "vacant" are once again trying to rebuild their power, and establish some kind of an enterprise management, enterprise directing center of the state administrative type. They say that spontaneous privatization is not progressing in a desirable direction. This is still a reflection of the kind of thinking according to which there is a desirable direction figured out by someone, somewhere, and whoever does not march in that direction is misbehaving and harming the economy. And the ideology holds that the separation of the functions of ownership and operations has produced a huge upswing. Separation of these two functions is theoretically possible, but by no means is it the sole and exclusive model.

Beyond the matter of regaining power: Why does Hungarian state administration regard the implementation of this maneuver as important? Because the budget is extremely hungry. And this hunger can be reduced only if they sell state property, if they privatize, and then fill the holes on the budget with the proceeds. Incidentally, this is part of the Law on Transformation already, but it seems that the process is not fast enough. This is how the idea may have come about that enterprises which have already transformed and become corporations were drawn into the trust fund on a priority basis. Deep silence surrounds the issue of what is being done with the proceeds.

[Krokos] First of all, let us make clear that I am not representing the state administration; at most I am representing the only firm that has thus far been commissioned to sell state property. Accordingly, the matter criticized by Adam Angyal is not my business, even though I agree with that matter to a greater extent than he does. In my view, what Matyas Jakab said about the "ethicoreligious" foundations upon which an enterprise manager stands today in regard to the treatment of state property is true. What a person does or does not permit himself depends on human decency. A unique situation evolved in Hungary: From a practical standpoint, no one holds enterprises accountable for their performance ever since the 1968 reform, and enterprise councils do not either. Just how performance requirements could be restored, through spontaneous privatization or as a result of centrally managed intervention, is the essence of the dispute.

The manager is not the owner; he receives an income from the firm if he retains his position, therefore he will fight tooth and nail to keep that position. As an employee he is also interested in seeing that the largest possible share of profits be "regrouped" in his favor. Today an enterprise manager could sell all the assets except his chair, then deposit all the proceeds in a bank and take those proceeds home as personal income. This opportunity has existed ever since 1968, and I believe it is beyond debate that this situation must be restricted. On the other hand, I agree with the idea that at present we are indeed witnessing competition in salvaging power. Similarly, it is impermissible to allow a person whose future is dependent on a buyer to conduct negotiations with a prospective buyer. This much about the budgetary hunger: Unfortunately, this budget is ours, it belongs to every citizen. It would be beneficial, of course, if not much capital would have to be withdrawn from the economy, but sadly enough, we are indebted. And the fact that competition exists is actually a favorable phenomenon. We must establish the rules of the game for such competition. And in this respect we are proceeding on the right path. Soon there will be a new Parliament of a different composition, one that will be less tied to areas and regions, and then there will also be an independent judiciary....

[NEPSZABADSAG] Based on what has been said, the main issue is not who should be conducting privatization, but the need to establish control and motivation of a kind that enables the earliest possible profitable utilization of state property. This is because in recent times quite a few state enterprises were transformed and sold in a questionable manner.

[Angyal] Without a doubt, there were enterprises which acquired state property by way of manipulations that qualify as crimes against the economy. Judging these is the function of the courts. With regard to the rest, however, one should start out from the "presumption of innocence," simply because not everything can be brought out into the open in the negotiating phase. It would benefit us to realize that in most instances and throughout the world, enterprises are not sold in public. These transactions are performed the way part of the Hungarian press is sold today, under the rug. Only some of the firms are registered at the stock exchange, and enterprise securities are sold in places other than the stock exchange. Openness in this regard exerts a deteriorating effect upon prices, as in the case of the Pet Nitrogen Works—the budget would be the loser as a result of lower prices. At the same time, I will say that there is a need for openness because of the excessive authority held by managers, because the amount for which I sell the shipyard island—one billion forints or five billion forints—really depends on me alone.

[Krokos] True, these deals are not struck in the open in the West. But I disagree with the notion that public competitive bidding would lower the state's chances. Secrecy makes no sense once it becomes known that one or another enterprise is up for sale. If an enterprise

council offers the enterprise for sale because it counts on better development projects, a better market, or better income, let us make it possible for any investor who recognizes possibilities in that firm to be able to compete for the securities of that enterprise.

[Angyal] I think that we may find a point of agreement if we say that the owner should decide in regard to openness on a case by case basis, because the owner knows what ruins his business in a given situation. And besides, openness is unavoidable due to the prevailing political distrust.

[Jakab] I am disturbed by the fact that they do not even presume that managers could be honorable and that they could have expertise. This stratum must also be appraised—of course it has to be appraised. But the way this is done today causes terrible damage, because at present emotions prevail in the economy. Ota Sik said that transformation of the Czechoslovak economy will take 14 years. Why do we think that one year is sufficient for Hungary?

[NEPSZABADSAG] So in the end all of you agree on the idea that enterprise management stands on "ethicoreligious" foundations, and that the system does not include performance requirements. But then, what is your problem with the State Asset Management Trust Fund [AVA], which would embody this?

[Angyal] AVA would not present the requirements of an owner, instead it would want to satisfy the needs presented by the budget. And as long as this is so, I have a much simpler solution. If the state is starved to that extent, it should point out 15 or 40 enterprises, then say that it wants to sell those enterprises, and leave the rest in peace. This would be a clear formula, one could do something with it.

[Krokos] This is no solution, just as the idea that everyone is an owner without responsibility and without risks is no solution. To judge whether ownership rights should be transferred to a single central point it would be worthwhile to recall that the founders of enterprises, among them the Ministry of Industry, did not withdraw enterprises under state administrative supervision because of their weak performance. Starting out from this point of view, perhaps it is still better to have a new institution established for the purpose of exercising the authority of the owner.

[Angyal] I am interested in seeing what makes the enterprise function better, what produces greater profits. From this standpoint it makes no difference whether the state or a trust fund is the owner. The purpose of both is to withdraw capital from the economy. This in turn paralyzes the economy. This is why I prefer spontaneous privatization over this method.

[Jakab] "Our kind of people" are required to transform by virtue of the Law on Transformation. What sense does this sudden enthusiasm make—let's go, let's nationalize these firms, and then we will sell them at an

excellent price. Why could these processes not be pursued in a staid manner? And in any event, the property protection law now being drafted provides control over these processes, because it is possible to establish a company in the open, or the state trust fund can prescribe a property appraisal.

[NEPSZABADSAG] But AVA's function would be only to reorganize the state enterprises into companies, and find buyers for them. Would this not result in more focused and faster processes?

[Angyal] Those who know anything about property management from the financial standpoint will also know very well that in our hands the profit made on state property belongs to the state, just as it would in the hands of anyone else. In the hands of AVA the profits belong to the state, while in our case this would not be guaranteed at all. That is, enterprise professionals have as their goal to operate the enterprise in as decent a manner as possible, and their purpose is not to stabilize the state budget. More and more laws, such as the Law on Transformation or the legislative proposal concerning AVA, do not enhance structural transformation. They are centered around excises, and as such are expressly harmful to the Hungarian economy.

[Krokos] Wherever there is a significant state sector, such as in Spain, Italy, and Austria, state property is managed by holding corporations. These are organizations that operate not with a few experts, the way they are perceived here in Hungary. Accordingly, AVA's functions must be narrowed down, because I do not believe that it would be AVA's function to privatize, for example, 5,000 retail units. True, the proposed law includes the property managers. These do not exist today, but property management organizations can be established. I would find it conceivable that vacated enterprise headquarters—the ones whose units were turned into stock corporations—would be promoted to become such property management organizations, then protect the property they managed in the framework of competition. And it is this competition in which I see an assurance that AVA and the property managers will take better care of state property. All this, however, cannot take place overnight. I believe we are in agreement in this regard.

German Group Buys Hungary Insurance Stock
25000571E Budapest HETI VILAGGAZDASAG
in Hungarian 23 Dec 89 p 9

[Text] The West German Allianz AG [stock corporation] Holding is acquiring 49 percent of Hungary Insurance Companies stock for 80 million West German marks. The Hungarian insurance company still under state ownership and state administrative supervision becomes a stock corporation beginning on 1 January. In it, 51 percent of the property worth 3 billion forints will become the property of the state. The stock corporation is a so-called closed corporation, meaning that for the

time being its stock will not be traded, and that stockholders will have a prepurchase option. The Munich based Allianz Group is Europe's largest insurance company. It employs 42,000 people in 37 countries throughout the world, with annual revenues of 30 billion West German marks. The new owners do not intend to take part in the direct management of Hungary. They will delegate two nonvoting representatives to the stockholders committee, in which the other two members will represent the Hungarian state. Observers believe that in the coming years Allianz will invest its profits derived from Hungary in Hungary, as it has done with its other foreign affiliates. With its investment in Hungary Allianz wants to increase its market influence rather than its profits for the time being. Allianz holds interest in a number of large enterprises, and by using its connections it also wants to pave the road for Western investments in Hungary.

POLAND

Proposal for Privatization Program Outlined

90EP0242A Duesseldorf HANDELSBLATT in German
15-16 Dec 89 p 12

[Article by Wojciech Kostrzewa, Kiel Institute for World Economy: "Exact Definitions and Coordinated Steps for a Privatization Program"]

[Text] In late November, Polish authorities were handed—as a possible alternative—the following outline for a "proposal for a privatization program." The proposal was specifically tailored to Poland, but in view of the most recent developments in the GDR and other Eastern European countries, this proposal could become of interest to other nations besides Poland as well.

Few will doubt that one of the most important elements of Poland's badly needed—and to some extent already implemented economic reform—is a successful change in the structure of ownership. It is very important to quickly work out a framework for privatization. A proposal to this effect has to fulfill three indispensable conditions:

- Implementation of a privatization program has to start immediately—at the latest in January/February 1990. Because time is so important, solutions have to be kept relatively simple.
- Privatization in its first phase must reach the entire population because economic reforms need this important egalitarian element (similar to the egalitarian beginnings of the West German currency reform in 1948). Privatization would also exert a growing pressure on establishing a "normal" capital market as soon as possible.
- Privatization is to partially finance state expenditures and thus help avoid budget deficits. Some of the earnings from privatization are to redeem public debts

to the central bank. This would amount to a tightened financial policy and the removal of an "inflationary monetary surplus."

Once basic premises for privatization programs have been set, one needs to decide what to privatize. It makes sense to distinguish between two quite separate areas of privatization. First, there is "small privatization," which applies to state-owned retail stores, the transport sector, and small industrial or service related enterprises. Ownership of such small enterprises could be transferred directly to individuals at the market price—a price not outside the financial capacities of prospective private entrepreneurs—especially considering available mortgage financing. Different from "small privatization," "traditional" privatization of medium-size and large enterprises could flounder on the first condition of the fastest possible implementation. There are several reasons; three deserve mentioning:

- Lack of a functioning capital market, and by experience, it takes quite some time to set up such a market.
- Despite a money surplus, the population has only limited financial means. This renders privatization of major enterprises through public sale unrealistic.
- On the one hand, it is impossible to quickly assess the worth of major enterprises after privatization, because of a lack of accounting firms and because significant market and price distortions still exist; on the other hand a neglect of careful assessment would invite insider trading and corruption and would precipitate the charge that the state's assets are being "sold out."

Occasional proposals to face the aforementioned problems by turning over ownership to the workers via a free—or rather state-funded transfer—are little suited to solve the problems on hand, because they would amount to little less than a redistribution of property financed by most tax payers—in other words by the private sector, by agriculture, and the public service sector. Such an approach is likely to create new interest groups trying to maintain existing and familiar economic structures, and the workforce in its dual role as employees and owners may fight necessary adaptations, and in the case of large industries they could count on strong trade union lobbies.

Should factories close anyway, then workers would lose twice, and their socially and politically explosive force would form the main obstacle to further market reforms.

To avoid disadvantages connected with privatization via worker-ownership or via traditional methods and to speed up changes in who owns the means of production, we recommend the following procedures:

1. State owned enterprises with more than 500 employees are to be turned over to private ownership under a "big privatization program."
2. All real estate is owned by the enterprise either through long-term leases or outright title transfer.

3. Legislation will turn "big privatization" items into stock companies. Ownership of each stock company is to be secured by issuing a standardized amount of stock (for example 10,000 shares). The amount of capital stock and the denominations of nominal value are to meet certain minimum requirements. This does not exclude the possible issuance of no-par-value stock, and because no change of ownership is involved, no assessment of financial worth is required.

4. Stocks of enterprises to be privatized are turned over to 10 privatization companies (PG) which will compete with other. A lottery is to determine the initial composition of individual PG's.

5. By statute a privatization company will be required to liquidate, once the enterprises it represents are successfully privatized. A mixed PG management of Poles and foreigners is to receive incentives to privatize quickly and profitably. For this purpose, managers are to receive a base compensation enhanced by a variable pay scale dependent on how fast and how effectively (measured against the trend of PG stocks) privatization companies move along.

6. Initially, 60 percent of the shares vested in the 10 privatization companies are to be owned by the state, 20 percent by public institutions such as schools, universities, and the health sector, and another 20 percent is to go free of charge, or for a token charge, to all adult citizens. Later on, the state might make allowances for families.

7. Because PG shares are freely transferable, it should only take a short time before an "official" capital market emerges.

8. PG shareholders will receive a regular yearly dividend. In addition there will be a separate semi-annual dividend to pay out privatization profits.

This concept includes possible foreign investment. In case of opposition to immediately opening the Polish capital market to foreign investment, the foreign share in enterprises that are in the process of privatization (this does not apply to new enterprises) would be limited to 49 percent—similar to some Southeast Asian states.

Once full liberalization of the capital market is in sight, foreign holders may be invited to become controlling majorities. With this eventuality in mind, foreign investors should be guaranteed a buy-in option limited to two percent. This share will stay in the hands of the PG, until the full liberalization of the capital market is achieved. Foreign investors will also be authorized to buy up regular PG-held shares.

This proposed concept has many advantages for political economists who want a market economy. Fast implementation and the egalitarian character of the privatization concept will quickly create wide-spread ownership. Free transfer of shares allows for an allocation of real

capital that is in tune with the population's idea of how much to invest and what risks to take.

The market trend of these PG shares will be an indication of how well individual PG's are performing. The privatization lobby will hurry along the emergence of a normal capital market and with it further steps towards privatization.

Pharmaceutical Firm on Expansion of Imports

90EP0209C Warsaw RZECZPOSPOLITA in Polish
6 Nov 89 p 3

[Article by (jota): "Medicines From the Factory to the Pharmacy"]

[Text] Some western pharmaceutical firms have already decided on their first investments: Solco Basel S.A. is building its own factory; Phone Poulence and Pfizer have been linked by coproduction contracts with the Polish pharmaceutical industry for years. New organizations are also being formed which want to fill the existing gaps. One of these is Interpharmed.

"Our company is connected primarily with two important organizations on the West European pharmaceutical market: Technique et Sante and Droit et Pharmacie," says director Jan Polanowski. "We want to set up our own pharmacies in which zlotys could be used, and when regulations permit, foreign currency also, to purchase medicines and paramedical articles now being imported privately. We have obtained from the Ministry of Health a list of 300 western products which have been approved in Poland but for which there is no money in the state treasury. They will be available in five of our pharmacies in the capital and three in the Tri-Cities. Prices will be about 30 percent lower than in the catalog. The dollar, converted to zlotys, for our medicines, will very definitely cost less than at the foreign-currency exchange windows."

Interpharmed also intends to produce, as part of its coproduction with Polfa, an easily assimilable, soluble aspirin, Ubsa. Talks are underway with the Soviet manufacturer, Odieskaya Farmacya, on the joint production

of homeopathic medicines. They would be available in Polish, Soviet and EC country pharmacies.

Tax, Credit Relief Eyed for Government Orders

90EP0209D Warsaw TRYBUNA LUDU in Polish
3 Nov 89 p 2

[Article by (an): "What Is the Future of Government Purchase Orders?"]

[Text] The system of managing the economy is changing. The discontinuance of the use of administrative methods and the replacement of them with economic market instruments forces us to take a new look at government purchase orders, for they were based on central control of raw materials and foreign exchange. This year \$190 million was allocated from the state treasury for producers who are delivering on government orders. They also took advantage of income tax relief and were given preference in purchases of raw materials. The list of commodities covered by these orders included soaps and detergents, clothing and footwear for children, tires, kitchen sinks, etc.

There are no more central allocations of foreign exchange—anyone can buy foreign currency at auction. For this reason alone government orders cannot be retained on the same basis as before. But should they be retained at all? There are various opinions on this subject. We already know that government orders in investment have been discontinued. In the opinion of the Ministry of Domestic Trade, this form of state intervention would be indicated for social reasons. This makes sense if those who undertake a specific production will continue to have certain preferences. The ministry proposes to give them tax relief and easier access to credit. But in order that this tax relief not place an excessive burden on the state treasury, the ministry suggests that the list of articles covered by government purchase orders be cut by one-third, leaving only the most important articles, i.e., soaps and detergents and items for children.

The final fate of government orders will soon be decided by the government.

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